FEDERAL DEPOSIT INSURANCE CORPORATION

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ADVISORY COMMITTEE ON ECONOMIC INCLUSION

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MEETING

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WEDNESDAY, OCTOBER 18, 2017

The Advisory Committee met at 9:07 a.m. in the Federal Deposit Insurance Corporation Board Room, 550 17th Street, N.W., Room 6010, Washington, D.C., Martin J. Gruenberg, Chairman, presiding.

PRESENT:
MARTIN J. GRUENBERG, Chairman
ROBERT A. ANNIBALE, Global Director, Citi Microfinance and Community Development
MICHAEL S. BARR, Professor of Law, University of Michigan Law School
JANIE BARRERA, Founding President and CEO, LiftFund, Inc.
TED BECK, President and CEO, National Endowment for Financial Education
KELVIN BOSTON, Executive Producer, Boston Media, LLC
JOSE CISNEROS, Treasurer, City and County of San Francisco
MARTIN EAKES, CEO, Self-Help Credit Union/Center for Responsible Lending
WADE HENDERSON, President and CEO, Leadership Conference on Civil Rights
ANDREA LEVERE, President, Prosperity Now
PATRICIA MCCOY, Liberty Mutual Professor of Law, Boston College Law School
ALDEN J. MCDONALD, JR., President and CEO, Liberty Bank and Trust Company

BRUCE MURPHY, KeyBank
PHILIP L. SWAGEL, University of Maryland, School of Public Policy
JOHN C. WEICHER, Director, Center for Housing and Financial Markets, Hudson Institute

ALSO PRESENT:

MELISSA BURBA, Senior Vice President, First Commonwealth Bank
KARYEN CHU, Chief, Division of Depositor and Consumer Research, FDIC
KEITH ERNST, Associate Director, Division of Depositor and Consumer Research, FDIC
THOMAS FOLEY, Deputy Director, World Institute on Disability
VICTORIA GOINS, Program Manager, BankOn Greater Pittsburgh
BENJAMIN JOERGENS, Director of Financial Empowerment, Old National Bancorp
JOSEPH KEEFER, Executive Vice President, Bryn Mawr Trust Company
JONATHAN MILLER, Deputy Director, Policy and Research, FDIC
JOYCE NORTHWOOD, Senior Financial Economist, FDIC
ANTHONY POLUCH, Senior Vice President and CRA Officer, Bryn Mawr Trust Company
KRISTOPHER RENGERT, Senior Consumer Researcher, FDIC
THOMAS E. STOKES, III, Atlanta Regional Community Affairs Manager, FDIC
SUSAN TACHAU, Pennsylvania Assistive Technology Center

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P-R-O-C-E-E-D-I-N-G-S

CHAIRMAN GRUENBERG: Good morning, everybody. Glad to see you all. Welcome to our meeting. We have a pretty full agenda, so I promise to be brief. I think our program today captures in many ways a lot of the work this committee has been doing over the last several years.

The focus this morning is on our continuing effort to expand access to the mainstream financial system for everybody who lives in the United States. A lot of the focus in our previous presentations has been on large institutions offering so-called safe accounts.

But we really wanted to include in our outreach efforts for the smaller institutions to offer these accounts as well. In many ways, community banks, smaller banks are vehicles for access to the system.

So we have this morning a couple of institutions on the smaller side that are offering accounts consistent with our safe account standards and talking about products they've developed and the work they've done to expand access in their communities.

And then after this first panel, we'll have a panel of our own researchers who, working off of our FDIC bank survey results, have developed some information relating to the characteristics offered by banks for basic entry-level checking accounts, get a better handle on, in addition to the safe account work we've done, a profile of the kinds of accounts that institutions are offering.

Then this afternoon we have a panel on expanding access to the banking system for households that include persons with disabilities, which has been an increasing focus of the work we've done, including presentations by non-government partners that the FDIC has been working with.

And finally, at the end of the day we'll have a presentation of some research work we've been doing on neighborhood access to bank branches, and particularly with a focus on populations in the United States that in particular continue to rely on access to bank branches for their banking services.

You know, a lot of the focus in the discussion today is around technology and online access, but the fact is that large numbers of people, particularly lower income as well as elderly populations, continue to rely heavily on bank branches for access to services. And that's something we want to put focus on and get a better understanding of.

So I think it'll be an interesting set of discussions today. Our experiences with this group is that you're not shy or reluctant to share your views with us. And we want to, do not discourage that, if I may say so. Let me turn the program over to Jonathan Miller for the first.

MR. MILLER: Thank you, Mr. Chairman, and good morning to members of the Committee.

I'm very pleased to introduce to you the speakers on the first panel, who will update us on the work being done to expand the reach of safe accounts, including those accounts that meet the Cities for Financial Empowerment's National Account Standards, which has been described to us both by Jose Cisneros and Jonathan Mintz of the Cities for Financial Empowerment in previous sessions.

So there are complete biographies in your packets, but I did want to take a couple of minutes to just tell you a little bit about the speakers.

So our first speaker, Melissa "Missy" Burba, is the Senior Vice-President for First Commonwealth Bank, which is located in Western Pennsylvania and Ohio. I believe the bank is headquartered in Indiana, PA. The second bank is from Indiana. So that's just a lucky coincidence.

Missy's held a number of positions at First Commonwealth, as her full bio describes.

But for purposes of this panel, I wanted to focus on her role as the Senior Product Group Manager, in which job she led the bank in its development of the SmartPay Account that she will talk to us about in a few minutes.

Next we will hear from Victoria Goins. Victoria is the Program Manager for BankOn Greater Pittsburgh at the Urban League of Greater Pittsburgh. Although she's probably too modest to say so herself, our FDIC Community Affairs staff tell me that Victoria was really instrumental in rejuvenating the BankOn effort in Pittsburgh area.

As you will hear shortly, the Greater Pittsburgh BankOn has developed a constructive partnership with First Commonwealth Bank, among others. It is these partnerships that we hope will continue to drive the success of these accounts, as well as a broad array of other programs that will bring the underserved into the mainstream banking system.

Ben Joergens will be the final speaker

on this panel. Ben has spent most, if not all, of his professional life at Old National Bancorp, which is headquartered in Evansville, IN.

Ben is the Director of Financial Empowerment at the bank, which has played a leadership role in the BankOn Movement, both within the bank's footprint, and I think it's fair to say, nationally.

Before turning to the panelists, it's worth noting that the Committee has generally heard from the nation's very largest money center and regional banks, as the Chairman noted. This panel represents a shift to much smaller though still consequential financial institutions.

And I think it's fair to say that this represents ongoing progress on the part of the Committee, the FDIC, and its partners such as BankOn, in our joint efforts to expand economic inclusion.

So with that, I'm going to turn it over to Missy Burba.

MS. BURBA: Thank you. And first I'd

like to thank Mr. Miller and the FDIC for giving me the opportunity to speak today. I really appreciate being able to talk about what we're doing for the unbanked/underbanked within our bank. Thank you. Then I need to switch it?

First Commonwealth Bank is a seven billion dollar bank located in Western Pennsylvania and central northern Ohio. We have 135 financial solution centers, and as Mr. Miller mentioned, we are headquartered in Indiana, PA, which is about an hour east of Pittsburgh.

Prior to the fall of 2015, we were only located in Pennsylvania, and then in the fall of 2015, we acquired First Community Bank, which gave us four offices in the Columbus, OH market.

And then in December, 2016, we expanded in Ohio with the acquisition of 13 offices in the Canton-Ashtabula areas in Ohio that were part of the FirstMerit Huntington divestiture. In April 2017, we acquired Delaware County Bank that was located in Columbus, OH with

13 offices, expanding our presence in that market to 17 offices.

Our mission is to improve the financial lives of our neighbors on their businesses, and our vision is to build financial confidence in our customers, develop a customer-focused team, and support our communities.

If you look at community banks, I think you'll see a common mission and vision among all of them for financial health. And every community bank I talk to, it's very important to them to educate their customers about their financial health and to improve their financial lives.

To do that, we have a financial education program coordinator, and she does education for adults and for kids. And she also does education for our own employees, because we want to make sure that they're financially confident in their own lives, as well as our other customers.

Some of the programs we coordinate,

and then there are others that we participate in, like with the BankOn Pittsburgh program and other community organizations. And she can't do it all herself, so she also works with other individuals on our sales team to help educate them, and then they in turn go out into the community and do different financial education programs for us.

We also have a community lending mangers who's in our mortgage area. He is a huge advocate for the unbanked/underbanked, not only for getting their homes, but also for the other products and solutions we have at First Commonwealth Bank. And he's our primary partner with BankOn Pittsburgh and the other community organizations that we have.

I wanted to provide an overview of all of our personal checking options before highlighting our SmartPay Card, which has the BankOn certification. Our primary product is our Hometown Checking product that has no minimum deposit or balance requirements. It has convenient access to online and mobile banking, and clients can have free overdraft protection when they link it to our Hometown Savings.

And we offer two optional packages they can add on to that account. They can pick one package, or they can add both of them. The first is an interest package, and then our second is a solutions package where it upgrades the features they have.

They have free person-to-person and account-to-account transfers; discount on expedited billpay; free overdraft protection from any First Commonwealth account, including our lines of credit; and a premium debit card. We also have our SmartPay Card, which I'll talk about in the next slide.

And we launched health savings accounts in December of 2016. These are tax-favored accounts available to individuals who are in a high deductible healthcare plan, and it's used to pay for qualifying medical expenses, and the funds will roll over and accumulate year to year if they're not spent within the current year. So they don't lose them, like a flexible spending account.

We launched our SmartPay Card in December 2013 and positioned it as a checkless checking account. It's easy to fund with direct deposit, in-branch, ATM, and account-to-account transfers via our online banking. And you can also do mobile deposits with our mobile banking app.

Clients can access their funds anywhere that MasterCard's accepted, including ATMs, and they can only spend the money they have, so they don't incur overdraft fees for the account. We have a minimum opening deposit of $25, and a monthly service charge of five dollars for the account.

The main competition at the time we launched this in September 2013 was the Bluebird Card, it was what everyone was talking about. And interestingly, four years later, you don't really hear about that card very often.

And we marketed it as a good solution

for teens and college students, to teach financial responsibility. The five dollar monthly fee is significantly less than what they would pay if they overdrafted. And it would help to teach them to use their funds wisely, because they can only use what they have and they aren't able to overdraw.

What we see is about three percent of our account openings come from this account. And the reason is with targeting teens and college students, that's a smaller segment of our overall market. And then within that segment, we have an even smaller group that will take the product. But what we're looking at now is an additional opportunity to use this product for the unbanked/underbanked.

Victoria Goins from BankOn Pittsburgh, who's going to speak next, reached out to our bank earlier this about our SmartPay Card and the BankOn certification. Our SmartPay Card met the criteria to get the certification without any modifications or changes to the product.

We were certified in May 2017, and we were the ninth bank in the nation to get the BankOn certification for our product. We are in the process of positioning it with our sales teams as a good option for the unbanked/underbanked.

With that five dollar monthly fee, it's significantly less than they would pay for a payday lender or other sources of getting their funds, and the design doesn't allow them to overdraft, so they don't have the risk of the overdraft fees. So we feel that it's a really good product for that market that we can roll out.

And we do partner with BankOn Pittsburgh for offsite events, and the SmartPay Card is one of the products that we feature for the unbanked/underbanked. And we hope that the certification that we now have will give consumers some confidence in the account and its structure. And if they are deciding to use a bank, that they'll pick this product.

And we've started including it on marketing materials, including a redesigned piece that targets the unbanked/underbanked and the different products we have, as well as our online site, we're going to add it to that.

Another product we have is our secured credit card, and we see it as another way of reaching the unbanked/underbanked. We reentered the consumer credit card market in September 2016 with three cards: a rewards card, a student card, and a secured credit card.

We felt the secured credit card was very important because you need credit to build credit, but individuals struggle to get credit if they don't have credit, don't have any type of credit history, or they have a negative credit history. So that's the opportunity that we saw with this account is to help those individuals.

And what we found was studies showed that people don't have $400 in a savings for an emergency. So if they don't have it for an emergency, they're not going to have it to tie up in a savings to secure a credit card. So we made our minimum credit limit $300 and the next lowest we found with our regional and national competitors was 500.

We just feel it is a lower amount, but it will benefit them. And where we get the benefit from the account is from them using the account at the interchange and paying it back, not from having a $200 higher limit. It is secured by our Hometown Savings account, and we're encouraging clients to save additional funds in that account on top of what's needed to secure the credit card.

And we provide the FICA score every quarter on their statement, so then they can see the effect of the behaviors that they're doing and that they're impacting positively their credit score when they pay on time.

We've been in the credit card business about a year now again, the consumer credit card, and secure credit was much more successful than we thought it would be. It's actually 11% of our account openings in the past year came from this product.

And another program that we started to partner with is Fund My Future. The Fund My Future Program originated in Western PA for supporting students of Allegheny County's network of 11 Propel public charter schools.

The Propel schools are for children who are in underserved areas of Pittsburgh, and Fund My Future provides incentives to their parents to start saving for their children's college.

They do it through raffles, through events, and they also do education for the parents. And it doesn't matter the dollar amount, they just want them to start saving, even if it's very minimal, each month. Because studies show that kids are three times more likely to go to college, and four times more likely to graduate from college, if they have a savings account.

So this program has been in place for

Propel schools, but beginning September 1 of this year, they expanded the program to all of Allegheny County, and the goal is to expand it to all of Western Pennsylvania. Parents can open up an account at any bank and then sign up to be part of Fund My Future. But if they don't have in a bank, then Fund My Future is recommending First Commonwealth's Tower Saver account.

They talked to a few banks in the market and decided to pick our account. We made a couple modifications to help with the program.

One was we eliminated our minimum deposit opening requirement, so that way the parents could open it without having to fund it at that point. They just had to make some type of deposit within 45 days to keep it open. Again, it could be a dollar deposit, as long as they have something in that account.

The second thing we did was add it as a product that's available for online account opening. This allows the Fund My Future group and Neighborhood Allies and First Commonwealth, when we're out at offsite events to talk about Fund My Future, to open the accounts at the offsite event.

It also allows for parents who don't have the ability to get to the bank during normal working hours to open the account online without having to try and rearrange their schedule.

Our financial education program coordinator is working with Neighborhood Allies, who partners with Fund My Future, to do education for their team, as well as doing education for the individuals who are part of the Fund My Future Program.

And we're really excited to be part of this and to support them, whether they picked our account to reference or not, because it's a great program to help kids save for the future.

MR. MILLER: Okay, thank you. Victoria.

MS. GOINS: Good morning. Mr. Chairman, Mr. Miller, other members of the Advisory Team, thank you. On behalf of the Urban

League of Greater Pittsburgh, it is a privilege to be in front of you to represent BankOn Greater Pittsburgh.

BankOn Greater Pittsburgh is a passion and a continuum of the Urban League's charge. The Urban League of Greater Pittsburgh will celebrate its centennial February of 2018. It always has had an extension to serve the underserved, who need to be provided economic stability.

BankOn Greater Pittsburgh's focus is to serve the unbanked and the underbanked. In doing so, I was brought onboard to look at the program and extenuate its services and expand the collaborations necessary to be effective in Allegheny County.

In doing so, I began to reach out to the participants, financial partners, community partners that were part of BankOn Greater Pittsburgh prior to me joining the team.

In doing so, I wanted to assess what was working well with the current program, and what in their opinion needed to be readdressed. Part of doing a job successfully is being able to face what has worked and what the expectations of the clients are. Financial partners are our clients. Ultimately the unbanked and underbanked are our clients.

We needed to strategically align our goals with that of the community that we serve, and more importantly, our partners so that it would become a win-win for everyone. In doing so, I sat down with the bank partners, and they were very, very open with me, and I appreciated that openness.

It led to a platform of need that I reached out with to our local FDIC representative and said, collaboratively, we can address these issues. And I thank her for being present today, and she has been very, very instrumental in moving this forward with the direction and support and guidance with your financial inclusion strategies.

With that being said, I also partnered

with Neighborhood Allies and became part of their asset-building network. And in that role, I was able to utilize the services and extend the market strategy to those individuals who were also part of the asset-building network community.

We started from the ground up, the three of us saying how can we do this better. What was immediately apparent was that the banks needed a level platform in which to operate. They needed to understand what our expectations of them were, what their expectations of us could be.

So we began to say how can we best utilize this. From my introduction to the asset-building network community, I met David Rothstein from the Cities of Financial Empowerment Fund. We began our discussions as the 2017-2018 National Account Standards were released.

That, it became apparent that that would be an excellent platform from which to build our BankOn Greater Pittsburgh Coalition.

And so we began that undertaking. We began to distribute to the financial marketplace all of our expectations based on the standards. Our mission was to begin to address the needs of the unbanked and underbanked by providing them an affordable, sustainable account platform that was not predatory in any way.

One of our challenges with this market is having them accept bank products as a traditional tool or financial means. That began with a lot of financial literacy education direction, because that particular market works with nontraditional services such as payday loans, quick cash places because of the immediate gratification.

The financial education component that we incorporated into our BankOn Greater Pittsburgh Coalition was to begin to turn the tides from those alternative sources to banks by introducing this platform of national account standards, so that overdraft fees would not become an issue. You don't want to introduce a community to a bank product that would make them less stable than they currently are.

So that was a tremendous undertaking to begin that collaborative effort. With that being said, we looked at the institutions currently in the platform, financial. First Commonwealth was one of the partners that I first spoke with, and their literacy coordinator has been very instrumental in helping us also get the message out to other markets that we serve.

One of those markets is the Community College of Allegheny County. We have a partnership with the community college in such that we provide the financial education platform for them to move forward and become more economically stable.

We also introduced that platform in such a way that they would be able to address job readiness. How do we help them? How do we help them reach their goals?

And that is by eliminating some of the barriers that stop them from moving from semester to semester and ultimately matriculating through college, obtaining their certificate or their associate's degree, and ultimately transferring to four year colleges.

We have introduced BankOn Greater Pittsburgh to that college platform and have begun to create seminars based on budgeting, based on credit repair, based on providing the financial education for them to begin building assets.

The ultimate goal of that is to have them be introduced to a BankOn account in an introductory aspect to building their financial inclusion activities. But ultimately for the bank partners to build relationships with these individuals so as they move down the financial continuum and become more economically stable, they begin to build stronger relationships with banks and have access to various different products.

I had the privilege of working also with the asset-building network and FDIC partnership and speaking to the Economic Inclusion Group within the Federal Home Loan Bank of Pittsburgh. So we are marketing to as many platforms as we can. BankOn is creating this standard platform from which we can expand and be more productive.

When we think of individuals who are in this market, they are not able to sustain livelihoods with any emergency interruption. We were looking at emergency situations as being are you able to sustain yourself for a three-month period.

It was actually staggering the percentage within the Pittsburgh market that is not able to do so. So from that aspect, this is an urgent need.

With that urgency, First Commonwealth, we looked at their product line, and their product line was very close to meeting the national standards. We reached out to Evan and Missy and had collaborative conversations with David and his group, saying how do we address these particular aspects.

And we moved them through the validation process. And it was so exciting to be at the National BankOn Conference and hear that First Commonwealth was named the ninth institution to obtain this validation across the country. So congratulations, Missy, we thank you so very much for your work.

We also are excited to announce that we worked with the Cities for Financial Empowerment to uncover other opportunities for us to be effective. They had a BankOn capacity grant, which we applied for and were pleasantly proud to announce that we did receive that grant from the Cities for Financial Empowerment. Thank you so much, David, for your work on that effort.

We are utilizing that capacity platform to educate our audience, but more importantly to yield technical platforms in which it will create the ease and perhaps eliminate some of the aversion people have into going into branches themselves.

We looked at the millennial group, and the millennial group was a group of concern. They are our future, how do we provide a platform for them? We will utilize monies from that grant to be able to technically advance our BankOn website to address millennials.

Millennials like what's trending, so we had focus group meetings and had them function in a traditional financial platform, and had another group function as a non-traditional platform.

And as they went through that exercise, it became more and more apparent that the attractiveness of the quick cash alternatives were not as they expected them to be.

They gave us plenty of ideas of how to use technology to attract them, and we will be utilizing that too with this grant. And hopefully the millennials will be part of our alpha and beta test group in doing so.

Lastly, we are partnering with also the Cities for Financial Empowerment, the FDIC, and the OCC, as well as Neighborhood Allies, to have a major event in Pittsburgh on October 30, which we will showcase the National Account Standards. With that, David will be our keynote speaker. We are looking forward to that. We have had quite a bit of positive response to that.

We have also, will be introducing BankOn principles that have been created by the Cities of Financial Empowerment. And if you'd like to know more about those particular principles, please look at the website to do that, join BankOn.

Thank you so much for your attention. We do appreciate the invitation to be here. We have a lot of work to do with financial inclusion, but not only is it imperative that we reach this audience, but it has residual impact for the future.

As Missy indicated, Fund My Future is a key point in allowing them to save. Those partnerships in Pittsburgh are going to be critical, along with other financial platforms and partners which we would like to have on board.

And we are very hopeful that this event in October will initiate the revitalization into the BankOn Greater Pittsburgh Program that is needed. Thank you so much.

MR. MILLER: Victoria, thank you very much. Ben.

MR. JOERGENS: Mr. Chairman, Mr. Miller, the rest of the Committee, thank you for having me this morning. It's a pleasure to be here.

So as we are going to talk about our program called the EZ Access Account, we're going to also tie it in to how we combine this with financial education to try to be a little bit more successful than we may have previously been.

A little bit about Old National Bank themselves. We are the largest financial services holding company headquartered in Indiana. We are around $15 billion in assets.

Founded way back in 1834 and operate in Indiana, Kentucky, Michigan, Wisconsin, and soon to be Minnesota.

I want to go down to the piece on more than 800,000 hours of volunteer service were committed by our associates since 2006, which I'll bring back in just a little bit, with the current CRA rating of outstanding. So we're awaiting our next test results, hoping that we'll stay the same.

A little bit about us. These are some of our commitments to excellence we believe in, as you'll notice, we are very proud of being one of the world's most ethical companies, I believe it's six years in a row now.

And I'm really excited to hear the ending portion of this meeting today with the disability piece, because we just recently were recognized as a national organization of disabilities. We believe it's very important to focus on that area as well.

So a little bit about BankOn and Old

National. We implemented the first BankOn program in the Midwest. And I believe that we were the third in the country. I know San Francisco was our leader, and we launched in 2009. And Old National is one of the main areas that helped lead those efforts.

We definitely have played a key role in the BankOn Movement, as we have been instrumental in helping grow that program throughout the footprint that we operate.

Our president/CEO, Bob Jones, was very instrumental in making this happen when he joined Old National, and had also been a key player in BankOn in general. As you'll note, he is a current National Advisory Board member on the National BankOn Committee.

So the cities that we operate our BankOn are a little bit scattered throughout our footprint. We have a total of 13 cities that we have either helped started or are currently being a part of. And you'll see those through Indiana, Kentucky, and Michigan.

Life to date we've opened a little over 5500 accounts that are designated as a BankOn account. With balances life to date a little over two and a half million dollars there.

So our product, EZ Access. We launched this program or this product back in August of 2015, and our CEO was very instrumental in bringing this to our current platform. We did have another product that was represented when the original BankOn Program launched. It did have the check-writing capabilities, and we still keep that around.

But we definitely wanted to add a checkless checking account, especially when we saw the new account standards, and we wanted to make sure that we could everything that we could to be a part of that.

The way that we developed our program was through community needs assessments. We asked a couple questions when doing this. You know, why the need for alternative financial services. We really struggled with wondering why folks were doing that. We also wanted to find out what type of mainstream product they wanted.

We surveyed individuals from a variety of areas, that you'll note at the bottom could be nonprofit organizations, recovery centers, and correctional facilities. I'll get to why we spent a lot of time on that third piece with the correctional facilities in just a moment.

A little bit about our product itself. It does have the no minimum balance requirements. Ten dollars to open, no overdraft fees, no paper checks. But we do give them five free money orders a month.

We realize that they still need to get bills paid and we didn't to have to them, the need to go elsewhere, and tried to stay in line with the additional ninety-nine cents for everyone over the five.

We do give them mobile banking and mobile check deposit, free online banking. We give them the choice of e-statements or paper statements. And we charge a $4.95 monthly fee.

I will note that this fee used to be waivable by having direct deposit. But we did see is we had high attrition rates with that.

It became a very easy product to open on behalf of the bank, so we saw probably a larger number than we ever should have saw from an opening perspective. So we recently did some research and went in to keep that monthly fee now a non-waivable. So I think we're going to see much betters numbers and more true numbers in the future. And then we also have the no fee for inactivity.

We really believe that it's important to tie this to education. You know, we could open accounts all day, but if we're really not advising them on the proper way to manage that account, we feel like we're not being as effective as we could be.

We have two full-time Old National financial empowerment officers, myself, and then I have a counterpart up in the Indianapolis market that covers most of our northern areas.

Which is unique, we don't see a lot of banks have a dedication to the educational side. So once again, this was due to our CEO taking a vast interest in education.

We partnered with the National Financial Educators Council and put together our own internal curriculum called Old National Real Life Finance. We have 68 current employees trained and licensed to teach this material.

We were pretty selective when we ended up having individuals teach this material because we wanted folks that really had not only a passion to do so, but the understanding and capability to do so in a very effective manner.

That number started at 20 about a year and a half ago, and we've quickly grown to 68, which helps us access more individuals, especially in the underserved markets throughout our footprint. We have an emphasis on community outreach and partnership development, and a wide variety of educational workshops that we offer, which we'll talk about next.

So through our Real Life Finance curriculum, I put a few of the topics on the slides there. Psychology, this is one that we've added to the list as we realized in order to get people to change the way that they currently bank, we need to focus on changing behavior.

So in the psychology piece we dive into, you know, money and emotions, understanding that it is an important thing to do this, but ultimately how to change their financial behavior.

We do also go into the account management, credit, budgeting, up to insurance, retirement, investments. So we can go from the very basic to the very advanced.

What we were trying to spend a lot of time on is changing the next generation. We have a majority of our educational efforts I will say are geared towards adults, but we really want to work on that next generation.

So we've expanded our curriculum to reach anyone from pre-K up to the adult level, and everywhere in between, which is a nice thing. We realize that when we teach kids at a young age, it tends to stick.

So we have put a heavy emphasis on partnering with schools to promote financial wellness, and ultimately providing the opportunity to have them learn this before alternative financial services are really even presented.

And what we've seen a lot of times is our children will do what our parents do, so we're trying to help mold them to make better financial decisions than maybe their parents had done before.

So here's a look at our extended curriculum. You'll see a little name play on ONB, which we are for the younger kids, third through fifth, middle school, and high school levels.

I mentioned that we spend a lot of time in the correctional facilities, so I want to expand a little bit on what we do there. We have put together a program to help the underserved, and this is where we really came up with how we were going to design our EZ Access Account.

We put together a 12-week program that not only empowers them, and we focus specifically on those individuals that are going to be released in society within a short period of time. We piloted this in our Henderson, Kentucky market with 110 women that are involved, that have been arrested for some substance abuse crime.

And broke it between two classes, and we did this 12-week program. It worked very well, and fortunate enough to get recognized nationally by the American Bankers Association on the most recent 2015 award for the financial education piece.

And the inmates played a key role in how we designed this account. We asked them, What do you want in an account? What prevents you from going into a bank?

And once we got to know them and

developed a relationship, as Victoria mentioned relationships being so important, they were able to help us put together a product that not only served them, but what we saw as many other underserved individuals as well.

And through our work with the underserved markets, we have been lucky enough to be recognized nationally on a variety of efforts, from the NFEC, the ABA for not only community commitment to education, but then BankOn as well in the past, so. Thank you for your time.

MR. MILLER: Thank you very much. Appreciate all three presentations. The floor is open to the members of the Committee. I've prepared some discussion questions to start us -- oh, Bob.

MEMBER ANNIBALE: Let me say thank you. I had the fortune to spend breakfast catching up with folks as well. And I think you've built some features in that a lot of us will benefit from, and thank you for sharing them.

I think the work you're doing reaching these final last segments of underserved is very interesting, the work you described at breakfast, Ben, also regarding the people with disabilities and how you're reaching out through both your management within your company, but perhaps outside as well.

Because as we look at the FDIC data, those are segments that are big numbers and ones that have not been really intentionally targeted by most of the large institutions or maybe even any others.

And the same for the work you're doing in terms of the secure card. I think it's an area we look at too. And great that you've looked at the size that actually fits. And I think you discussed that in Pittsburgh too, you know, what is the real need. Actually you've done the needs assessment as it really was intended to do. So just say thank you and congratulations on your work.

MS. GOINS: Thank you

MR. MILLER: I just go around. Andrea, then Phil.

MEMBER LEVERE: So thank you all for fabulous presentations. And I want to say I feel like I had a head start because I was with Victoria just two weeks ago.

MS. GOINS: Yes.

MEMBER LEVERE: And just to comment and then ask you a question, and then you too, Ben. Speaking at the regional convening of the entire nonprofit community in Pittsburgh to really identify what's our next steps forward to build assets and financial inclusion.

So I want to kind of give a shout-out to this committee and to the FDIC because as part of the presentation and your remarks, what is so exciting to see is how data actually changes behavior and changes policy.

So you cited the number from the Federal Reserve, about $400, which we used in the presentation in Pittsburgh. You also cited the liquid asset poverty number in terms of the three months.

But the other thing to say is as part of the presentation that I did in Pittsburgh, we used all the FDIC numbers on un- and underbanked. And we now have the ability to take that down to every city with a population of greater than 1,000.

So we were able to take that data and show how it affected all the communities in the surrounding area of Pittsburgh and really bring in people who hadn't seen themselves in this community as well.

And then also give a shout-out. we were part of the process of designing Fund My Future, and my college roommate helped to fund it. So that, never know.

(Laughter.)

MEMBER LEVERE: So that's really wonderful. But I think also to give a shout-out to Commonwealth, our partner. Because this is a prize-linked savings program, and it's a way to really expand it as you are doing regionally.

So I'd love you to raise one point, Victoria, which is at this event, the head of the Pittsburgh Foundation spoke about the history of racial discrimination and racism in the city.

And it was incredibly powerful in terms of that element of disparities in all the issues we care about, and raised up the regional wide initiative called One Hundred Percent Pittsburgh, of how we take the institutions and add structures that we are looking at for everyone.

And I'd love both of you to reflect on how that is also affecting how you're looking at the future of BankOn and the other asset-building work.

MS. GOINS: Absolutely. Thank you for your question. My first response to that is the Urban League of Greater Pittsburgh was, the movement was initiated because of the disparities that African-Americans and other minorities faced.

With that being said, it was

staggering in your presentation, Andrea, that you spoke about net worth being $127,000 for --

MEMBER LEVERE: White households.

MS. GOINS: White households, as well as, I was trying to be politically correct.

(Laughter.)

MS. GOINS: For white households, and $9,000 for non-white households. That is staggering in and of itself. One way to address those disparities is continuing to begin the education process that you, too, can be included. I stand representative of you, too, can be included.

And I have been privileged to be able to work with many financial institutions, work with many diverse cultures in my professional experiences beyond the Urban League, so that I am able to effectively build those conversations. I have a great success story with First Commonwealth in which we begin the process with one of Missy's staff at the financial education point.

And from that point that that single mother was introduced to becoming and providing the financial tools that could give her a better life, First Commonwealth began working with her, and she now is a homeowner in the city.

So that is an example of how collaboration and the building of those collaborative efforts and the strengthening of those efforts can take someone from a place of hopelessness to one of here I am, and here I am a homeowner.

As the Urban League forges forward, the financial capability component is key, of which BankOn is one of those components. With that being said, asset-building is, the ultimate asset-building attainment is homeownership.

So we have a complete focus on homeownership, of which I also work with individuals in the Pittsburgh area to address mortgage foreclosure, and those initiatives that will allow people to stay in their homes while they're still in their homes. As well as introduce people from moving from publically owned facilities to their own homes, and the educational components as that.

So from an African-American standpoint and the racial disparities, yes, they are quite apparent. But the Urban League is, movement has focused on that. Again, we're at 100 years. We are in a unique position where BankOn Greater Pittsburgh is housed within the Urban League, and I believe we are one of the only urban leagues who does have a BankOn movement.

The other movements are with local government, as well as other nonprofit agencies. We're in a unique position such that we service the low to moderate income families. So we have a platform of individuals to reach. Once we create our partnerships with banks, we are able to provide them the audience.

I'm also proud to announce that Key Bank is also one of our banks in our BankOn coalition that is part of the National Account Standards.

So as we continue to move the partnerships along, we will also promote within those social media networks of our partners, the banks that are affiliated with the National Account Standards, so that these platforms of individuals will know that there are banks, institutions that they can go to, have choice, and also know that it's not predatory in any aspect.

So that's how we will begin to combat those disparities. Those disparities have existed for a long time. They won't be corrected overnight. But I'm proud to say that with the partnership with the FDIC, with the OCC, with the CFE, we are collectively combating those issues.

MEMBER LEVERE: Thank you. And just quickly for Benjamin. I just want to thank you for the work you're doing with the incarcerated and just say that we have been managing a cohort of organizations who are doing the same thing and integrating financial capability with them.

But I wanted to highlight for you an

organization in New York City which is called the College and Community Fellowship, which was founded by a woman formerly incarcerated who was dedicated to enabling these women to achieve an education and a degree when they got out, so they have the same opportunities.

That organization was part of this cohort, and the degree to which that would be helpful to you in work, because there are others who are both looking at the financial capability, but also how do you get them a degree that'll actually help them find a job.

MR. JOERGENS: Thank you for that, that's great.

MR. MILLER: So Phil, Wade, Jose.

MEMBER SWAGEL: Great, yeah, thank you, and thanks to all for an interesting presentation. I had two questions and a very small suggestion. Maybe I'll just say it all and then -- they're all for everyone, and I suspect some others will know more if there is something more to say.

So the near term question is about overdraft, the longer term question is about the payment system. And it was interesting to me just the distinction, if there was one, between free overdraft and availability of overdrafts. And maybe I was reading into this, but there's almost a sense of giving the ability to do overdraft was dangerous to some, you know, to some households as a form of short-term credit.

But on the other hand then, free overdraft is a feature. And I just, so I'm just trying to figure out whether I've got that right or I'm missing something, that what is the role of overdraft in these products. And it could be just different for different households. For some, having it free but available is useful, for others, you know, just say, no, look, a safe account doesn't have overdraft.

So I'm sorry, my question isn't super well-formed, but I'd be interested in your thoughts in the differing in available and free. Maybe I'll just say the longterm question also, and then I'll stop talking, it'll be better. And you'll see it's very closely connected.

It made me wonder, is there any technical reason, technical improvement that can be made, and I'm thinking of the payment system. Is there something in the payment system or in some other, you know, sort of technical part of the financial system that could be changed in a way or improved in a way that helps on this issue?

You know, say your answer is, oh, look, for some families, just not having overdraft is really the answer. But we can't do that because of this reason or that reason. And it'd be interesting to know that.

And I'm just thinking of, you know, as the payment system evolves, if there are ways that it could evolve in ways that help the families we're talking about here. That's the second question.

And then the small suggestion is just I know the Atlanta Fed, right, is the nexus within the Fed of the payment system. And you know, my understanding is they're especially interested in the issues that affect low income households. And I have no idea whether they've thought about this issue, the safe accounts and issues with overdraft, but it seems like a natural connection to me.

MS. BURBA: Okay, so I jotted some notes, so if I miss anything, please let me know. For overdrafts, the SmartPay Account itself, it's not allowed to have overdrafts, because the individuals who would tend to use that, they don't have the savings to link it to.

So with our Hometown Checking, it's not that they get a free overdraft. It's if they have the money in the savings to transfer from our Hometown Savings to our checking, we don't charge them to transfer that money.

And then in our Solutions Account, it does have a fee associated with it that can be waived based on deposits or relationship balance. It can be linked to any savings account or to a line of credit. And if you have to draft for overdraft protection, you don't get charged a fee. But on our SmartPay, that account is designed for individuals who won't have that savings to do the overdraft from.

MEMBER SWAGEL: And do they, I'm sorry. Do they choose, individual sometimes says, Look, this is the right one for me, I really just shouldn't have the overdraft.

MS. BURBA: Yeah.

MEMBER SWAGEL: And that's a choice they make, or that's just something that they sign up for one product or the other based on other things, and that's just a kind of a feature.

MS. BURBA: So the SmartPay Card is designed to not allow overdrafts, they're not allowed to elect to start to overdraw on that product. But in our Hometown Checking products, although the products are built with the capability to have overdrafts, customers are allowed to opt out in, say, two ways.

One, they can say, I want to opt out of you overdrafting if I'm at POS or an ATM. So when you use your debit card. But then they also have the capability to say, I want the Hometown Checking, but I never want to overdraw. So we have, can put a filter on the system that their account is out there, but the system will not let them overdraw.

Yeah, so they have the option within both accounts. It's just in the SmartPay Card, it's not an option to start overdrawing. They would have to switch accounts.

MR. JOERGENS: And then for our account, same, just to hit on the same point. We, on our EZ Access Account, there are no overdraft fees. But you know, from a systems perspective, there may be something that may slip in there, and it may cause them to go in the negative a little bit, but there are still no fees tied to it.

So from a systems perspective, that's kind of the way we work. For us, it's really just knowing the customer. They may come in and say they EZ Access Account because there's no overdraft fees, but really they may need a different account, you know.

So we see this as more of a gateway product to eventually put them into a regular, full-service account. But I think that's where we saw the high numbers opening. So when we realized that, it's really better on a sales aspect to know the customer, and if it is that right account, to put them in there.

MS. GOINS: And from a BankOn perspective as we continue to work with the CFE, we're identifying accounts, just one account that a bank can have for them to get the validation through the CFE. And the two institutions in our coalition, they are checkless accounts.

So with that being said, that also helps with the introductory aspect of, until I know how to manage a checking account, let's set them up with an account that doesn't have checks attached to it, Key Bank's hassle-free account, and Missy's First Commonwealth SmartPay Account.

MR. MILLER: Great, Wade. Oh, I'm sorry.

MS. BURBA: Oh, I'm sorry, and then you had asked about the payments. I did have one thought on the payment system in that right now everything we do at our bank is end of day. But there is, you know, the intraday that can be happening for the payments.

That potentially could cause more overdrafts for customers, because if their debits come through in the morning, their credits come through in the afternoon, if you're processing intraday, you could end up causing more overdrafts. And we've had a lot of discussion on that. What is going to be the impact to our clients when it goes to the intraday settling, yeah.

MR. MILLER: Okay, Wade.

MEMBER HENDERSON: Thank you, gentlemen. Good morning, and thank you for your really thoughtful presentations. Delighted to have all of you here, and thank you, Jonathan, for bringing us perspectives from smaller banks who are really dealing with some of the challenges that I think are really important to this committee.

I have one observation, I have two questions. The one question is directed to any of the three of you, one is to Mr. Joergens.

But let me just start by saying that the observation you made about disparities that exist, whether it wealth, whether it homeownership, whether employment, education, those disparities are not naturally occurring phenomena.

They are problems that have been created by structural inequality, some of which has been aided and abetted by state and federal government, some of which has been shaped by market factors, but none of which have occurred without a thumb on the scale. Trying to deconstruct those systemic barriers requires more than a simple acknowledgment that disparities exist.

One requires affirmative effort undertaken both by government and in the private sector to try to address some of those issues. I recommend a book actually to all of the Committee called The Color of Law by Richard Rothstein.

And it really deals with the question of how government helped segregate the country, both from a housing perspective but also with other issues. I just wanted to make the observation about disparities and a suggestion that we receive any of the two questions.

I think your education programs are really outstanding, and I'm delighted that you're focusing on the interests of millennials and the young. But I want talk about a collateral problem that we begin to see more at the national level, but it's frequently not discussed, and I'm wondering whether your education efforts include it.

And that is student debt and counseling to younger people who are making career choices that involve acquiring significant debt that creates -- we have a student indebtedness problem of about one point seven or eight trillion dollars. We have seven million individuals who are in default on student loan payments.

Student loans are non-dischargeable in bankruptcy. As a result, you know, you are saddled with a burden which runs with you for the rest of your life. Average debt and indebtedness is slightly under $40,000. For people who live in your markets, that debt can be crippling and prevent them from making normal decisions, including buying a house.

So many students are carrying debt loads that are the equivalent of a mortgage payment, and thus are precluded from really getting in the market.

And I'm wondering whether your education efforts include anything that tries to address students in terms of their choices about for-profit schools, whether they look at other options that might help to affect the debt. So that's the first question.

And then I have a very short question for your, Mr. Joergens. Can any of you sort of speak to that?

MR. JOERGENS: Yes, on the educational piece, we have about five lessons dedicated strictly to student loan debt. From understanding good debt versus bad debt, getting into how to fund education for college, how to pay off debt at a quickly rate, or you know, avoiding as much interest as possible.

And what we're trying to do is target our local high schools and universities. I've been focusing on that high school area, we're working with legislators to try to make it a required course in the states that we operate.

And offering a dual credit to universities as well to incent children in the high school area to take this and have that student loan piece built into that curriculum per se. So from our perspective, we do have about five lessons available strictly on student loan debt.

MEMBER HENDERSON: That's great. Yes, please.

MS. GOINS: As it relates to the Urban League and the BankOn Greater Pittsburgh initiative, we have also addressed financial education at the middle school and high school level by partnering with Junior Achievement to begin some of those educational discussions at an early age.

With those particular outreach opportunities, we are targeting them in communities of distress. And within those communities of distress, we're also going beyond the educational curriculum to outreach to their parents. A lot of their parents have not been educated in that standpoint.

So we're looking to collaboratively, the caregiver, some of them are grandparents, educate them as well as the children involved, and begin to have those discussions based on educational choices, based on alternatives.

The flip side of that is partnership with CCAC was created because that's an affordable college alternative to someone who may not be able to go to, immediately to a four-year college.

And you can begin to acquire the tools necessary to get in a respectable wage within the community and be able also to become educated and transfer, if you would like, into a four-year college, but have the two-year more affordable aspect of that student loan debt is not quite as high as it would be if I transitioned from high school immediately to a four-year institution.

MEMBER HENDERSON: That's very helpful. I'd like to follow up with you all privately.

MS. GOINS: Absolutely.

MEMBER HENDERSON: I'll just make one quick observation, and then my last question, I promise, Jonathan, I promise. Look, the question is that in your markets, I suspect you have students like those who attended Corinthian College. I cite Corinthian because Corinthian has closed. It was a for-profit school that left thousands of students carrying heavy debt loads who are now jammed.

We are trying to get the federal government to discharge that debt, but we need stories that are based on real world experiences of people who live in your communities. I'm sure that you are carrying and counseling students with this high level of debt from schools that no longer exist, or when they did, provided worthless degrees that were, you know, unaccredited, and left these kids jammed.

And we'd be interested in talking with you about that. So that's a separate side issue.

A question to you, Mr. Joergens, relates to this issue of reaching out to people who are incarcerated. I commend you for that.

MR. JOERGENS: Thank you.

MEMBER HENDERSON: That is a very important program. More institutions should be encouraged to do that, and I really want to talk with you about how you got it started and whether your experiences can be replicated and scaled in other places. So let's talk about that.

But here is the issue, guys. Your institutions are precluded by the FDIC from hiring individuals who may have been previously incarcerated for even minor offenses. The current definition of drug laws by the FDIC precludes your ability to offer jobs to even the most well-adjusted and rehabilitated individual. I'd like your thoughts on that.

MR. JOERGENS: I would say, to your first point on the expandability, we have been able to do that, and we've actually been coaching other banks to do the same thing. So we've replicated I believe five cities now from the correctional facilities side.

On the hiring, one piece that we spend a lot of time in those areas, the number one question I get in those classes is, you know, nobody's going to hire me, you know, if I have felony on my record. So what we try to do is we work with a nonprofit typically in each area to find out all of those employers that will hire people that have a felony on their record, all people that will rent to people that have a felony on their record, etc.

So we then provide that list to try to empower them to not just say, Go out and find it. We try to help them along that way. But helping them understand what employers are looking at, how to answer questions effectively in an interview.

So we've worked with our HR team to put together a question and answer session with those inmates. We bring an HR professional to the jail to talk directly and answer those questions. We found that to be pretty beneficial.

MEMBER HENDERSON: That's very encouraging, very helpful. I'll just conclude by saying that this is terrific, but you yourself cannot offer a job to an individual in those circumstances.

MR. JOERGENS: Right.

MEMBER HENDERSON: And whether or not the FDIC should consider fair hiring policies is a question that should be on the table. Your institutions should not be precluded from hiring individuals who've made minor mistakes in their lives from ever being hired as part of these institutions. But thank you.

MR. JOERGENS: Thank you.

MS. GOINS: If I could add one final comment, the Urban League has an employment process to try also to address individuals who have been incarcerated to help their employment process.

But BankOn is also working with the local city government to create a bridge ID, which would provide identification processes for individuals to at least be able to obtain photo identification when they can't in those other curriculums. We're also looking at pre-apprenticeship programs, which also we're doing with this community colleges. Thank you so much for your question, sir.

MEMBER HENDERSON: Thank you.

MR. MILLER: Jose.

MEMBER CISNEROS: Hi, good morning. Thank you guys for being here. It really, really is exciting to hear about the great work you're doing, the BankOns you're involved in, and the work you're doing in your community.

I am continually amazed to see how valuable this work is as the income gap and income inequality grows across our country. In spite of all the successes we see across this land, we still see people struggling. You're making a difference in helping people be successful. That's fantastic.

And I love hearing about what new programs you're doing, or longstanding programs you're doing, and new banks are doing. But I'm particularly pleased about the partnership with the local community groups and the partners, because that's what we found made a huge difference when we launched our program.

I have three questions, I apologize. But I'm, one of the things I'd love to hear about is 1) in our city, we're hearing that the value of this work had grown even greater, particularly in the aftermath of the Wells Fargo account scandal. And I wonder if you're hearing that in your community.

Many of our partners in San Francisco are telling us that the communities they work with not only are fearful of what they've heard, but actually have many members that felt they were victims of the scandal. And I think that means we have to redouble our efforts to educate, and of course steer them to safe places where they can have accounts.

I'm also intrigued with both of your experiences with your safe accounts, and I think, Ben, you talked a little bit about what happens when there is an occasional negative balance. I'd love to hear, just because I'm a little nerdy about this, how often are you seeing negative balances and what happens when those occur?

I'm hopeful that it's very seldom and that it's not much of an issue, but I'd love to hear your thoughts about it.

And then I'd also, Ben, like to hear, you said about making the monthly fee on the account waivable, and then changing that. I'd love to hear more about what caused that change.

MR. JOERGENS: Absolutely. To the negative balance piece, we don't see much of it. It's really maybe just a mom and pop shop closing up hours late, maybe run the transactions late and something got missed. And we really don't see it too often.

On the other item with the waivable and non-waivable, when we started out, we noticed a lot of banks were doing the waivable by direct deposit, so we kind of followed suit and it was working well. We opened a lot of accounts.

When we realized how many we were opening, we realized that we probably were not opening them for the right individuals per se.

It was just the easy account to sell at the branch.

So when we looked back on the market and saw what other banks were doing, we saw the non-waivable piece, and I think, because we saw high attrition levels. People were realizing they may have been an account that maybe really wasn't best suited for them originally.

So now with the mandatory fee, we're seeing that folks will be, it will sold not in a, it'll be better suited I think for the longterm. We just want them to do what's best for the customer. And I think when you look at a fee of under five dollars, it's still much less than they would spend probably on one check-cashing during the month or even during the week.

So that was kind of our reason for that. It was working well, we had a lot of accounts opening, but I felt that we weren't specifically serving the correct market.

MEMBER CISNEROS: I hear what you're saying. I would just have thought that the step up of having to connect direct deposit to it would have been a bit of a, you know, a deterrent of, you know, just not casual account openings, but rather it be much more.

Because obviously once they've connected direct deposit, it's a bigger lift to them to step away from that account. But you still found that you were getting some extraneous customers.

MR. JOERGENS: Yeah, what it was is we required, or with the direct deposit, and that's what most people had in this account. But then they realized with not having the ability to write checks or not being able to opt in on a debit card, those were things where maybe they didn't realize up front, but later on it was like, you know, I really do need those services.

MEMBER CISNEROS: I see, okay.

MR. JOERGENS: So then it was close that account and get in a traditional account that was very similar, but with those two differences on the opting in and opting out piece.

MEMBER CISNEROS: Thank you.

MS. BURBA: And I'll say on the monthly deposits way, we also don't have that. But what we found a lot of small business don't offer that direct deposit. They still pay their employees by check in our community market.

MEMBER CISNEROS: How frustrating is that, right?

MS. BURBA: Yeah.

(Laughter.)

MS. BURBA: And we also have the same issue with the negative balance that sometimes occurs on our safe account. It's due to those preauthorized transactions on debit cards and depending on when the merchant closes the account. And we have the same policy that if it causes you an overdraft, we do not charge an overdraft fee.

But it's very minimal, very rare. We do disclose it on our Pew form, though, because it could happen. But we let them know there's no overdraft fee.

MS. GOINS: And from the BankOn perspective as we continue to promote the National Account Standards to the market, we're looking to work with more product individuals within the banks to begin to create that one product that will be able to suffice and address all of the concerns about overdrafts, direct deposits, etc.

Because that developmental effort, that product design is really where it starts.

MS. BURBA: And then to your question on Wells Fargo, it hasn't had as big an impact in our markets, because in the Western PA market Wells Fargo really isn't there in a lot of our areas.

So our clients weren't as impacted as other markets. Like when you walk in Washington, DC, every half-block we saw a Wells Fargo branch. It's PNC for us. So it's not the same impact that our communities are seeing.

MEMBER CISNEROS: That makes sense.

MR. JOERGENS: Ours is about the same.

MEMBER CISNEROS: Same thing? Thank you very much.

MR. MILLER: Pat.

MEMBER McCOY: Thank you. You are all doing such good, and this is really inspiring to all of us here.

MS. BURBA: Thank you.

MEMBER McCOY: I'll make this very quick, which is I'm quite interested in your talking about targeting the underserved with these products. And could each of you name perhaps the biggest challenge to uptake of these products by that population, and then perhaps the most effective technique you have found in getting that uptake.

MR. JOERGENS: So I would say from a target perspective, what we have decided to do is work directly, you know, in extension to the correctional facilities, what we've seen, you know, alcohol abuse places, 12-step programs, nonprofit organizations that have built in the

BankOn education as a requirement.

For example, one of our markets, and they're Salvation Army, they give emergency assistance. But now we've got them to require the BankOn classes before being able to receive emergency assistance, so that assistance doesn't become part of their regular budget.

So that is one piece that we've tried to focus on on the targeting of where those folks might be coming from or what organizations they might be affiliated with and try to be that one step ahead of offering it.

On your second question, it just slipped my mind, I apologize.

MEMBER McCOY: The most effective technique you've seen for uptake.

MR. JOERGENS: Yes, I think the most important one would be -- I don't know. Do you have any thoughts on yours?

MS. BURBA: So for me, I think our biggest problem with getting these individuals is just finding them. So letting them know that we have the products, how we can help them, getting the education, the communication out there.

And the biggest benefit to us had been the partnerships with BankOn Pittsburgh, Neighborhood Allies, other community groups. They're imperative to us. We wouldn't be where we are now with some of the projects and outreach if we weren't able to partner with them.

So we don't have the capacity to do everything they're doing, they don't have the capacity to do everything we're doing. So the partnership between them I think is why we're seeing such big strides in our markets and with our BankOn what we're able to do.

MR. JOERGENS: I would say the biggest struggle that we've seen on this area is having folks that want to open an account but due to, you know, having judgements or liens, and Bob, we talked about this this morning, is that fear. So it's kind of helping them get past that.

Or losing benefits if they have a certain amount in savings, or you know, those are some of the barriers that we've seen. But the biggest obstacle has been, you know, I want to open an account but I'm in your check systems. Or I've had fraud in the past. It may have been a long time ago. But those are some of the biggest obstacles.

So what we've focused on is just educating and build that relationship with your bank, so when the time is ready, that you've got that relationship built so we can help you. Maybe it's a savings account first, maybe it's something else. But just trying to tackle that one at a time.

MS. BURBA: And you know what, and I forgot to mention on my Tower Savers account, which as you said check systems, said to me, there was the concern with the Tower Savers that the parents wouldn't be able to open an account because they wouldn't pass our check systems. So we made changes for the entire product, not just for Fund My Future.

But that we went through the criteria

and said, You know what, if they have this, we're still going to let them open that savings account to start savings for their children. There were some with like large dollar charge-offs we didn't do, but we did change the criteria for that specific account on what could be opened to help make it accessible.

MR. MILLER: Martin and then -- oh, I'm sorry.

MS. GOINS: Just one quick comment, please. One aspect of BankOn being housed within the Urban League we don't have the challenge of the target audience. The Urban League has many programs and services that have been in existence for a long time for that particular audience.

So we are providing the platform, the audience for our partners to address the account services. Because we do hear time and time again that where is the audience. Well, our model of BankOn has the audience right within the Urban League of Pittsburgh, as well as some of the other networks that they arrive in.

Our challenge is more systemic in nature, as we've alluded to here, the systemic disparities that have existed, and really educating individuals to trust banking institutions. Because time and time again, they've been denied services. And who wants rejection, and rejection time and time again?

So that's our challenge. And it begins with education. Thank you.

MR. MILLER: Martin and the Bruce.

MEMBER EAKES: So I also want to thank you for a very strong presentations.

MS. GOINS: Thank you, sir.

MEMBER EAKES: It's clear to me that the, particularly ONB and First Commonwealth are real corporate leaders in community engagement. And my question is do you have advice for us on how to use the certification process, the BankOn certification process, to expand to the rest of your products, or to other products?

So for instance, if your safe product is three percent of your account openings and your balance is on the checkless account is, I think if I calculated right, is close to a tenth of one percent of your outstanding deposits.

I'm wondering how we use the protection of having no overdrafts to use that as a wedge and use that certification for the products that has opt in on point of sale, debit cards, which for many of us we view as a problem.

So it's almost inconsistent, you know, it strikes me as inconsistent that you have this wonderful product but then you have more appropriate use, as you put it, for opt-in overdraft fees, which is where the bulk of the financial extraction would take place.

So I'm wondering, do you find that BankOn as a certification actually helps you make the argument both internally and to other banks that this is more trustworthy for the bank if you extend those protections to more products than just the sort of entry level?

MR. JOERGENS: Yeah, I will say from a certifications perspective, we just recently got our product to meet the standards, probably just a couple, maybe a month ago or so. So internally it was definitely a help, a driver to help get the project where we needed to be. And I do think it can be beneficial.

So in the community, the challenge that we're trying to focus on is getting other banks to have the same certification. Because what we've noticed in a lot of our BankOn markets is we tend to be the one bank in a lot of our markets that are offering the product, but we don't want it to be an ONB show. We want it to be, you know, a collaboration of all the banks.

So we're really trying to use those standards to promote to all of our banks and credit unions in the markets to drive that. But I think it definitely does, it gave it a lot of ability to get pushed up quickly by meeting those national standards, and I think it could work well with other products as well.

MEMBER EAKES: What about for expanding that to your other products, your other checking account products?

MR. JOERGENS: Yeah, I think it definitely could. It's hard to say. You know, what we try to do is a lot of our accounts are pretty similar in nature, some of them. This account particularly or those we've focused on were the folks that really wanted to opt out were due to they never really knew how to manage a debit card. They didn't understand how it worked or that it could overdraft.

So a lot of times, you know, we may get somebody calling our call center and saying, I don't understand how this banking stuff works so I'm just going to leave the bank, you know. So having a product that we can help them feel more comfortable and at ease was where we spent a lot of time focusing that.

But I think it definitely, I think it could work for other products. I don't know for sure, because I think the underserved market that we were working on with the safe account was a specific target. So in regards to other products, I don't know quite yet.

MS. BURBA: And for us, we actually tried to get our Hometown Basic account certified, that's the one we wanted, it's where 80% of our checking accounts go. Has a two dollar monthly fee that can be waived with e-statements.

Our packages are waived with deposits in relationship, but we wanted our basic account to be e-statements, because we didn't want it to have to be a certain dollar amount they had to have in the account.

The problem we couldn't get that one certified was we have an inactivity fee. We don't do inactivity fees in our savings, but we do on our checking. And because we have an inactivity fee after one year, we could not get that account certified.

So it's taking a look at are we willing to remove that inactivity fee, but that inactivity also serves a purpose of if you haven't had that account in a year, we put a message on your statement the month before and say, Okay, you know, contact the bank, do you really want the account. Or, you know, you're going to get charged a fee next month starting for inactivity.

And then they have the opportunity to activate or even just call us and contact us and it's activity with us. But because of that fee, we could not be certified on our Hometown Checking.

MEMBER EAKES: I'm not worried about inactivity fees. Do you have overdraft fees on your primary checking account?

MS. BURBA: Yes, we do, yeah. But you can opt out of overdraft on our primary checking account. So that's it, yeah.

MR. MILLER: Bruce.

MEMBER MURPHY: Thank you. I think you're validating that this can be done and done well. We have been at this for ten years, and so our hassle-free account is the one product that has been the largest product where we have acquired more clients than any other product in the consumer bank.

What that tells you is that this is beyond a underbanked and underserved product, that it's a mass market product. And when you begin to think more broadly about its application, so when we started we were thinking only about the underbanked and the underserved.

But through maturity and understanding of the data, it really is a mass market product that serves the underbanked and the underserved.

And so I offer that as encouragement, because we started where you are today, and we are in a place that again, if you look at any of our advertising today, across our markets, it's about hassle-free. And there's a reason for that. It is a mass market product that people were fundamentally coming to us with.

But I have a question, and that is really about the branding of BankOn. And so there is in my mind, not everybody understands what BankOn is in the marketplace. And so what do you really do?

So if you choose to brand your product as a BankOn certified product, what does it matter if I don't understand what BankOn is? And so have you dealt with that, have you thought about that? And are there things that you're considering to educate the consumer about the branding of BankOn?

MR. JOERGENS: I will say from our perspective, we will be showcasing that meeting the National Accounting Standards soon to be a BankOn product. We do promote it on our website of what BankOn is and why we participate in that and try to lead efforts.

So we are going to have, and when we showcase that logo, a little description about BankOn and what it is and why it's necessary and how we're trying to be a part to help that.

MS. BURBA: And we're doing the same thing. We're working through that on how do we give them a short explanation of it, not overwhelming but so that they understand the importance of it and what it means for them.

MEMBER MURPHY: But for me I think it is, that's appropriate to do. But I think there has to be a broader narrative around safe and soundness to a general population about what this certification really does do. So it's important for us to do that, but I think there has to be a broader narrative.

MS. GOINS: I concur with you, sir. One aspect of us broadening that educational effort is bringing the CFE into Pittsburgh with the Federal Reserve Bank and having that communication, those discussions. Again, we're doing that at the end of October.

So we hope that will kickstart all of the educational efforts that need to take place in branding BankOn and what it means to be not only a participant in BankOn, but what is the charge from the CFE, the commitment from the CFE in establishing the BankOn standards, the guiding principles associated with that that are on their website, and that whole educational effort be something undertaken by BankOn Greater Pittsburgh Coalition as it interacts with all of its collaborative partners and their networks.

So that whole branding aspect begins with David coming to Pittsburgh on October.

(Laughter.)

PARTICIPANT: You got a big job, David.

MEMBER MURPHY: Thank you, thank you.

MS. GOINS: Thank you.

MR. MILLER: So I think with that, we've come to the end of the first panel. And in fact, we've blown through the break time too. So do you want to just bring the second panel up, or should we take a short break?

CHAIRMAN GRUENBERG: Let's take five.

(Applause.)

(Whereupon, the above-entitled matter went off the record at 10:33 a.m. and resumed at 10:50 a.m.)

MR. MILLER: Welcome back. Thank you. So, I just wanted to provide a little bit of context for the presentation you're about to receive. And then I'll hand it over.

So, we just heard from some smaller institutions offering safe accounts. And as you know, as we just talked about, this is really the first time we've moved away from the very large banks.

But just as a reminder, we've really seen some progress in the area of safe accounts, so that at this point we can say that 87 percent of Americans live in a county with a full service branch of one of the institutions offering a safe account.

So, this represents real progress. But before the presentation we just had we really had no indication regarding the safe account models being picked up by smaller and mid-size institutions.

In fact, there had been no data, no recent data to help us explore this question at all. The most recent had been FDIC's 2011 survey of bank efforts to serve the un-banked and underbanked. And that's a bit dated at this point.

So, to fill in the gap, this knowledge gap, the Committee will hear for the first time results from a survey of banks we recently fielded with, in partnership with our Division of Insurance and Research, and the Census Bureau.

And our hope here is that this survey will provide a basis for the Committee to reflect on what more can be done to help smaller institutions consider whether safe accounts could work for them, as it has proven to work so effectively for larger institutions.

So, with that little bit of context I'll had the panel over to Karyen Chu who will moderate.

MS. CHU: Mr. Miller, Members of the Committee, FDIC's economic conclusion research on consumers and households, in particular our biannual national survey on un-banked and under-banked households is well known, and widely used.

We have a parallel interest in conducting research that provides information about economic inclusion efforts and opportunities at banks.

Among the work that we have done in this area are, as Jonathan mentioned, two previous surveys that we've conducted of banks' efforts to serve the un-banked and under-banked. The first was in 2009, and the second in 2011.

In 2015 we conducted qualitative research on banks' efforts using in depth interviews and focus groups. In that report, and in our presentation to this Committee in 2016 we described a range of products designed to meet the financial services needs of un-banked and under-banked consumers, and low and moderate income consumers that were offered by 11 banks that participated in that study.

That qualitative research and other work support the proposition that offering financial products that are accessible and sustainable is a necessary first step to increasing economic inclusion.

A major purpose, therefore, of the

bank survey, the results of which Kris and Joyce will be presenting today, is therefore to explore the availability of accessible and sustainable basic entry level accounts in the U.S., and the accessibility of identification and screening policies for account opening.

And we do so by collecting information from a large nationally representative sample of U.S. banks.

As Jonathan mentioned, we developed and cognitively tested the survey questions in partnership with the Census Bureau, which also administered the survey on our behalf, and is keeping the data in its research data center, to help ensure the confidentiality of our respondents, and their responses.

So, without further ado, I would like to turn the microphone over to Joyce and Kris to tell you what we found.

MS. NORTHWOOD: Thanks, Karyen. First I'll start with giving a brief overview of the survey. The survey included questions about the characteristics of basic entry level checking and savings accounts available to the general public.

So, while banks may have several types of accounts, they're asked to respond to questions about their most basic entry level account.

The survey included questions about requirements for opening and maintaining accounts, such as minimum deposit fees, fees associated with accounts, such as monthly maintenance fees, and NSF and overdraft fees and coverage.

We asked about the types of applicant screening practices banks used to assess consumer eligibility for opening these basic accounts. And we also asked about general purpose reloadable cards, or prepaid cards offered by banks.

But since so few banks offer these we weren't able to generate any reportable results. There are fewer than one percent of banks that responded that they offer their own branded card that they market directly to consumers in their market area.

So, in this presentation we'll focus on checking accounts' characteristics and screening.

As Karyen already said, the survey was administered by the Census Bureau, using a web based instrument. And it was given between the third quarter of 2016 and the first quarter of 2017.

We received responses from 1,172 banks, from a random sample of 1,961 banks from the universe, which represents a response rate of 60 percent.

In reporting the data we grouped banks into three categories by asset size. The smallest bank with assets of less than $1 billion, medium size banks with assets between $1 and $10 billion, and the largest bank with assets of $10 billion and over.

So, most of the graphs will show by asset size. In this way we can understand different strategies used by different size banks. And we find that in some areas the results do not differ significantly among the three groups. But in other areas there are interesting differences.

And we'll only point out differences between these asset groupings where they're statistically significant at the ten percent level or better.

Next I'll talk a little bit about the framework of assessing economic inclusion as it relates to the characteristics of basic checking accounts.

We'll be using the economic inclusion framework that we've used in previous work, for example, in looking at mobile financial services, and focus on how accessible and sustainable products are.

As most of you already know from the 2015 household survey, the un-banked rate is seven percent. Some of the top reasons given for being un-banked are more than a third say they don't have enough money to keep in an account. Eleven percent say account fees are too high, or unpredictable. And almost six percent report ID, credit, or former bank account problems.

These findings from the household survey provide the basis for what a basic entry level account can offer to under-served consumers.

For example, an accessible account would have no or a very small minimum deposit required, or one that could be waived for those that think they don't have enough money for an account.

An accessible account would also allow consumers to open an account, even if they lack the ideal ID, or have had past issues with an account, or blemishes on their credit history, or a thin credit pile. And a sustainable account for these consumers would have low or no account fees.

And as Jonathan already said, we know from other work that a small number of large institutions offer Safe accounts. And that these branch banks have branch networks that reach over 87 percent of the population.

But we wanted to understand what is happening across the full range of banks by asset size. Some of the banks have entry level accounts that may not meet the criteria of the Safe account template. But they still offer a relatively safe, low cost transaction account to help meet the needs of under-served low and moderate income consumers.

And a key motivation of this study is to learn about the features of entry level accounts offered by the full universe of banks. Before we get into the findings I'll summarize the implications of what we found.

First, there are still opportunities to increase the availability of sustainable basic checking accounts, such as the Safe accounts template. For example, there are opportunities for more smaller banks to have, offer accounts that are similar to the Safe account.

There are opportunities to increase access, by increasing availability of low hurdle to open basic accounts. And I'll talk more about how we define low hurdle to open in a moment.

And third, in some regions there are lower shares of banks offering accessible accounts with Safe account standards. And this highlights the need to ensure that consumers in these regions are aware of their available options.

And now we'll present the findings of the characteristics of basic entry level checking accounts that relate to account access.

In looking at these findings we would consider that a bank offers an account with a low hurdle to open if it has certain characteristics related to the minimum opening deposit, and any screening.

First, either no minimum deposit, or one that is less than or equal to $25 dollars. And then, with regards to screening there are two types of screening, account history and credit history.

And the bank would either not review account history, using a service like Check Systems. Or that it would, but it would still allow a consumer to open an account, even if their history contained minor blemishes, such as a prior account closure for account mismanagement, excluding fraud, resulting in a loss of less than $100 dollars.

And second, the bank either does not review credit history, using a credit service like Experian. Or it does, but still allows the consumer to open an account, even if their history contained minor blemishes, like non-medical charge offs of less than $100 dollars, or an insufficient credit file.

So, this slide and the next one will show our findings for minimum opening deposits. On this chart each of the bars represents the three asset sizes. And the bottom medium blue section represents the share of banks that require no opening deposit.

And you can see that the share of banks with no minimum deposit is very similar across the three asset groups, 15 to 19 percent.

The middle section is the share of banks that require a minimum deposit, but one that can be waived. And these shares vary between a little over a third for the smallest banks, to more than half for the largest banks.

So, for the largest banks a much larger share, a total of 75 percent require either no opening deposit or one that can be waived. And for the smallest banks the combined share is 55 percent.

This chart represents the share of banks where there is no minimum opening deposit, or it relatively small, less than or equal to $25 dollars. And this is roughly one-third for the smallest banks, and a little over 40 percent for the two larger categories.

So, this slide and the next one will show our findings related to screening for basic accounts. This shows the share of banks that use screening.

The first set of bars represents the share that's screened for bank account history issues using a specialty consumer reporting agency, again, such as Check Systems. And you can see that most banks do. But fewer of the smallest banks do.

The next bar is the share that screen using credit bureaus. This is a much smaller share, between 11 and 20 percent. And this doesn't vary much across asset size.

Looking at the third set of bars, you can see that between nine and 20 percent of banks screen both account history and credit history. And the yellow bar you can see that the smallest banks, 18 percent don't use either type of screen. And this is in contrast to the medium and larger banks.

And this graph includes only those banks that do use screens. The first set of bars are those that screen for bank account history, but would still allow a consumer to open an account with a minor blemish.

And again, that is prior account closure for account mismanagement, resulting in a loss of less than $100 dollars in the past year.

And you can see that relatively smaller shares of small and medium size banks would allow this, compared to more of the, more than half of the largest banks.

So, from the last slide we saw that fewer small banks screen for account history. But for those that do, fewer would still allow consumers to open an account with a prior account blemish.

The second set of bars represents the share of banks that do a credit screen, but would allow a consumer to open an account with a thin or no credit file. And this ranges from 69 percent for medium banks, to 100 percent of the largest banks.

And the last set of bars are those that do a credit screen, but would allow a consumer to open an account with a credit blemish. And again, that's for a non-medical charge off of less than $100 dollars in the past year. And there's no real difference there across the asset sizes.

So, now we combine those two things, low or no opening deposit, and no screening, or those that screen but still allow accounts for those with a history of minor issues, into what we call a low hurdle to open account.

And this chart shows that slightly more than one-fourth of small banks have a low hurdle to open, compared with more than a third of medium, or the largest banks.

Okay. And next, I'll turn it over to Kris to talk about the rest of the findings.

MR. RENGERT: Thank you, Joyce. So, Joyce just discussed access, the first component of the framework for assessing economic inclusion. Looking at the consumers' ability to actually open basic checking accounts.

The other key component of assessing accounts through this framework is sustainability, which is what I'll speak to now.

Once a consumer opens an account, how likely are they to be able to sustain it? To keep it open? To what degree will it meet their needs for transactions, in the case of a checking account, while not burdening them with excessive or unexpected fees?

We discussed earlier how two of the primary reasons that un-banked households give for not being banked are that they feel they do not have enough money to keep in an account. Or the account's fees are too high or unpredictable.

The extent to which banks' basic checking accounts minimize these hurdles are our primary lens for looking at sustainability. So, the primary fees associated with basic entry level consumer checking accounts are maintenance fees, and NSF, and overdraft fees.

We used data from the 2016 bank survey to identify banks with accounts that have monthly maintenance fees of less than or equal to $5 dollars, and accounts that do not charge NSF fees, or have automated overdraft coverage.

Additionally, the FDIC and this Committee have been particularly interested in Safe accounts. We were able to identify accounts that were largely consistent with Safe account standards, with regard to key characteristics.

And as has been mentioned, although we know that a number of very large banks offer these accounts, resulting in the great majority of the U.S. population living in counties with bank branches offering these accounts, the survey did find that few banks, looking across all asset sizes, offer these accounts.

As we'll discuss, there are opportunities to expand the number of institutions that offer Safe accounts.

Looking at monthly maintenance fees, 57 percent of small banks and 52 percent of mid-size banks offer basic checking accounts that do not have monthly maintenance fees, as compared to only 31 percent of large banks.

Just under a third of small banks,

just over a third of mis-size banks, and nearly two-thirds of large banks offer basic checking accounts with monthly maintenance fees that can be waived.

So thus, the great majority of banks of all sizes offer accounts that either have no monthly maintenance fees, or where the monthly maintenance fee can be waived.

Conditional on charging a monthly maintenance fee on basic checking accounts that can be waived, about three-quarters of small banks will waive the fee for account holders maintaining a minimum balance in their account. This figure declines to about two-thirds of mis-size banks, and about 40 percent of large banks.

In a nearly mirror image about three-quarters of large banks that charge a maintenance fee that can be waived, will waive it for accounts that have set up direct deposit. This figure declines to 60 percent for mid-size banks, and 36 percent for small banks.

Turning to non-sufficient funds, or

NSF fees, and automated overdraft coverage. The survey found that nearly all banks charge NSF fees on transactions that are returned, with no significant variation across banks by asset size, with regard to the amount of fees. Overall the mean NSF fee is about $29 dollars.

With regard to automated overdraft coverage, the majority of banks have these systems in place. Although there is significant variation across different asset groups.

The share of banks with automated overdraft coverage increased from 57 percent of small banks, to 77 percent of mid-size banks, and to 89 percent of large banks.

With regard to the size of overdraft fees, again we see variation by asset size. Small banks have a mean overdraft fee of $28 dollars, significantly less than the mean overdraft fees for mid-size and large banks of $33 and $34 dollars respectively.

There are account features that banks can use to minimize the impact of overdraft charges. These include, for instance, policies to waive fees for one or more incidences of overdrafting, or limiting the dollar amount of overdraft fees that can be charged daily to an account.

The survey found that fewer than one in ten banks will waive fees on any overdrafts before charging fees.

Seventy-four percent of banks do have a daily overdraft fee limit. Although fewer than two percent of banks with such a limit have a daily limit of $25 dollars or less. Sixty-five percent of banks have such a limit of $120 dollars or higher.

So, this leaves about one-third of banks that have a limit on daily overdraft charges, for which that limit is between $25 dollars and $120 dollars.

The survey also asked banks about their policies with regard to charging fees for overdrafts on debit transactions. We found that banks varied with asset size on this policy.

Forty-two percent of small banks do not charge fees for overdrafts on debit transactions. Among mid-size and large banks only 20 percent of banks do not charge fees for overdrafts on debit transactions.

Banks that do charge overdrafts on debit transactions are required by Reg E to ask customers to opt in for overdraft coverage on point of sale debit and ATM transactions.

The survey found a difference between small banks, and mid-size, and large banks. Considering only banks that charge fees for overdrafts on debit transactions, with regard to the share of their customers that opted in.

On average 32 percent of customers at small banks that charge fees for overdrafts on debit transactions opted in for overdraft coverage. This rate was lower for mid-size and large banks.

For each asset group 26 percent of customers that charge fees, at banks that charge fees for overdrafts on debit transactions opted in.

The FDIC and this Committee have long been active in advocating for the adoption of basic checking accounts that incorporate the terms included in the Safe accounts template.

From other work we know that some of the largest banks in the U.S. offer these accounts. Combined, these large banks that offer these accounts have about 25 percent of the bank branches in the country.

And, you know, as we've heard, these bank branches are spread such that over 87 percent of the population lives in a county that has at least one of these branches. So, Safe accounts are broadly available geographically.

However, the survey found that very few institutions numerically offer basic checking accounts consistent with the Safe account standards.

The greatest obstacle to meeting these standards is the nearly universal bank policy of charging NSF fees. And to a lesser extent, to charging fees for overdrafts, as we discussed with the earlier slides.

So, we looked at what share of banks offer basic checking accounts that would be consistent with Safe account standards, but that charge NSF fees and overdraft fees.

Looking specifically at the share of banks with maintenance fees, minimum opening deposit requirements, and minimum balance required to keep the account open, that meet Safe account standards, we found that overall nearly 30 percent of banks have basic entry level checking accounts that are consistent with Safe account standards for maintenance fees, minimum opening deposit requirements, and minimum balance. But they charge NSF fees, and overdraft fees.

Again, the survey indicates that nearly 30 percent of banks offer these basic checking accounts that would be consistent with Safe account standards. But they charge NSF and NSF fees.

I'll turn now to look at bank policies with regard to identification requirements for consumers looking to open new accounts.

And the alternative identification requirement we looked at are non U.S. passport, other foreign identification, like a Matrícula Consular, and the identification, sorry, the individual tax payer identification number, or ITIN accepted in lieu of a social security number.

And so, the shares of banks accepting these different types of identification vary by asset size group. Overall, small banks are less likely to accept any of these alternative forms of identification, and large banks are most likely to accept them.

We also looked at the shares of banks in each group that will accept all three alternative forms of ID. And here we found that less than a third of small banks will accept all three forms of alternative ID, while over two-thirds of large banks will accept all three alternative forms of ID.

Considering the data from the 2016 bank survey, through the lens of economic inclusion, we identified two key takeaways.

Thinking in terms of consumers' ability to open basic checking accounts we found that the majority of banks across all three asset categories do not offer basic entry level checking accounts that could be considered to have a low hurdle to open.

And in terms of consumers' ability to open and maintain Safe accounts, using the Safe account standards as a benchmark, we found that very few banks offer basic checking accounts consistent with the Safe account standards. The primary hurdle here being NSF fees and overdraft fees.

The survey indicates that nearly 30 percent of banks do have basic checking accounts consistent with Safe account standards, with regard to minimum opening deposits, monthly maintenance fees, and minimum required balance.

But they charge NSF and overdraft fees.

Interestingly, the survey data also indicates significant differences across regions, with region here measured by the census region in which the bank headquarters is located, with regard to shares of banks that offer accessible accounts.

In particular, the data indicate that small and mid-size banks in the Northeast are most likely to offer accounts that are consistent with the Safe account standards, with regard to opening deposit, maintenance fees, and minimum balances.

Small banks in the Midwest are also more likely than their counterparts in the South and West to offer these accounts. And we'll discuss in a minute why these regional differences may be of particular importance.

And lastly, we'll identify several key implications emerging from the bank survey. Again, focusing through the lens of economic inclusion.

We perceived the opportunity to increase the availability of Safe accounts. We know that over 87 percent of the population lives in a county where they're available in at least one branch. But we also know that this is the result of a number of very large institutions, with substantial branch networks offering these accounts.

Certainly, data indicate that very few institutions overall offer basic entry level checking accounts that are consistent with the Safe accounts template. But certainly there are some, as we heard earlier from Old National and First Commonwealth Bank.

The data also indicate that very few banks offer card based transaction accounts. We believe that more banks offering card based accounts would enable more of these banks to offer Safe accounts.

Card based, or checkless accounts eliminate the danger of consumers accidentally overdrawing their accounts because of forgetting about outstanding checks.

From the FDIC's household survey and other sources we know that indeed consumers are increasingly using non check instruments like debit and GPR pre-paid cards for transactions, and are decreasing their use of checks.

So, increasing the offering of card based accounts would conform with the ongoing consumer preference trend. Additionally, we know from this survey that 42 percent of small banks already do not charge fees for overdrafts on debit and ATM transactions.

Ultimately, shifting to checkless, card based accounts would go a long way towards eliminating NSF and overdraft fees, which are a crucial hurdle impeding many accounts from meeting the Safe account standards.

The second implication drawn from the bank survey is that there are opportunities to expand the availability of low hurdle to open checking accounts, because this measure requires the banks either do not consider, or are flexible in their consideration of consumer account history and credit history, and that their basic checking account has a minimum required opening deposit of $25 dollars or less.

One way to move in this direction is to reduce the required minimum opening deposit. Currently, of banks with minimum opening deposits only 17 percent of small banks, and about 30 percent of mid-size and large banks have minimum opening deposits of $25 dollars or less.

Lastly, we considered the impact of the regional patterns of banks offering relatively accessible checking accounts, as proxied by accounts that are consistent with Safe account standards with regard to minimum required opening deposit, low maintenance fees, and low required balance to keep the account open.

As we discussed earlier, the regions with the lowest shares of banks offering these accounts include the south and west for both small and mid-size banks.

These same regions also include high

shares of black and Hispanic households. The population of the South is 19 percent black and 15 percent Hispanic, while the population of the western region is 28 percent Hispanic.

We know from the FDIC's household survey that black and Hispanic households have the highest un-banked rates across race and ethnic groups.

Though again, we know that geographically the great majority of the population lives in a county with at least one branch offering Safe accounts, we also know there is a great opportunity to expand the number of institutions offering these accounts.

But along with encouraging more banks to offer Safe accounts, there's also the need to ensure that consumers, especially those in areas with low shares of banks offering accounts, Safe accounts, that they are aware of the existence of accessible lower cost checking accounts in their market area.

With that, I'll turn the program back

to Karyen.

MS. CHU: Thank you, Kris and Joyce. Happy to answer any questions you may have. Pat?

MEMBER MCCOY: This is really fascinating. And I'm going to try to phrase this question in a way that we can have a discussion, which is, your results raise as many questions as they answer.

And a couple that intrigued me are the absolute low incidence of Safe accounts. I think you said, Kris, less than one percent of respondents. And also, these really strong regional differences.

And I'm wondering are there testable hypotheses with respect to both of those issues, that could be explored in the future, regional differences and low incidence of Safe accounts?

MR. RENGERT: So, there are. And we're, I mean, we're in the early stages of digesting this data. This is sort of first look, focusing specifically on checking accounts, and through this particular lens.

We're in the process of developing a report that will come out next year, where we'll be able to dig deeper into that. At this point I can, certainly there is the opportunity to do that. There are also limitations with the data. So, how far we'd be able to go, I'm just not sure at this point.

MEMBER MCCOY: What might be variables that would be looked at in the future?

MS. CHU: So, for example, we, one of the advantages of having the data actually at the Census Bureau is that we actually intend in the future to merge in some additional census data that's available at the Census Bureau, you know, at a more granular level, to maybe be able to look at demand characteristics, you know, of the area.

You know, the regional differences are in fact interesting. It's hard to know how much of that is, you know, competition, how much competition there is, versus, for example, you know, demand driven differences, versus historical differences.

Just sort of based on how the banking system and banks evolved in these different regions. And I think to the extent that we have data, we would be, you know, we're interested in looking at some of those --

MEMBER BECK: This is --

MS. CHU: Sorry. Andrea, then Ted.

MEMBER LEVERE: This is just to follow-up. Obviously this has enormous implications for our final panel, right, which is where the branches are disappearing, having just come back from Delta and seeing what's happened with the wholesale escape of the banks from that region.

So, how are you thinking about solutions, strategies to make this happen?

MS. CHU: To make what happen? Sorry.

MEMBER LEVERE: What you want to happen, which is expand the use of Safe accounts. I mean, how are you thinking about what, given the constraints, and given banking deserts that we know, which we probably should overmap with this. How are you looking at maybe testing some of those? Maybe it's the add on to your hypotheses.

MR. MILLER: So, maybe I can --

MEMBER LEVERE: Okay.

MR. MILLER: So, this is the, so, this is the, we're sharing, we just did this survey.

MEMBER LEVERE: Right.

MR. MILLER: And I will say parenthetically the advantage of keeping the data sort of behind the census screen is we can do, we can combine it with these other things.

The disadvantage is, in order to work with the data our staff has to go to a specific window, dreary windowless office, where they spent hours, and hours, and hours --

MEMBER LEVERE: Do you give them chocolate?

MR. MILLER: And I just wanted to publicly thank the --

(Laughter.)

MR. MILLER: I mean, getting there, you know, on our, well, for those of you who live in Washington and know the subway system, as they've just gone through this incredible upgrade. And so, they really surmounted quite a few challenges to do this. But my basic point is --

MEMBER LEVERE: Yes.

MR. MILLER: This is, we're really, this is really the first, we've just gotten the data to share this.

MEMBER LEVERE: Got it.

MR. MILLER: The solution part, in terms of is, sort of was Panel 1. And that is our ongoing efforts through our, and a very active community affairs outreach program to develop these BankOn partners, our partnership with the Cities for Financial Empowerment.

I mean, our goal is to be able to use this data to help us target our community affairs' resources, to target out outreach efforts, to share with the public for groups like

BankOn Greater Pittsburgh, Cities for Financial Empowerment, to figure out where they need to focus their efforts, and so forth.

So, this will be sort of, develop a knowledge foundation for us to think about how to --

MEMBER CISNEROS: Could I jump the line and maybe just follow into your point, and what you're saying, Jonathan, which is, I completely agree. I think that the challenge we've had for years is, how do we steer people towards safer accounts?

Unfortunately, for even the best efforts from banks, banks look self-serving when they're delivering this message, right, even the best banks. And the Federal Government is, and the FDIC, plenty of folks here are dedicated. But that's not a good way to blanket the entire country as coming out of one federal agency.

And so, that's really where the whole BankOn effort grew up from. And I appreciate your intention, and your ability to work with that effort.

To that end though, I do see the issue though with this information being so obscure. What we really could use is, you know, a very detailed inventory. And this, for every SNSA, for every region, for every, you know, geography really, so we'd know, you know, what are dealing with in our population?

Right now we have to kind of do it manually each time. Pittsburgh, or in Evansville, or whatever has to, they have to reinvent the wheel. They have to convene all their bank partners, say what are you doing, gather that information manually.

An effort that could begin to at least gather some of this up and say, you know, here's what the coverage looks like in this state, in this county, in this net. Even of Safe accounts, even of overdraft, whatever.

Now, theoretically, this isn't proprietary information. These are, all these policies are available in these banks, I mean, in literature theoretically, right? I mean, any customer should be able to walk in and say, what are the rules here? And it's not secret. But that's I think where we will have a little bit of a challenge.

MEMBER BECK: If I could add to that? You seem to have struck a theme, by the way. I think that's great. This is wonderful data.

But one of the things in the presentation of it that I think has struck me over the last several years being on this panel is, we have some banks here, City, Key, the work Alden's doing, that can actually talk to the fact that this is good business.

And if you only present it as a social responsibility or a nice thing to do for CRA, that's good. That fits nicely into one report.

But the fact that you've got some of the leading institutions in the country saying that this is in their best interest from a business point of view is a story that I think will resonate if you go out to the communities you're talking about and say, you know, hey, your competitors are making money doing this.

So, you know, if you look at a bank, I think they like to make money. And if they see examples of where people are doing this, and it's in everybody's interest, including their shareholders, that's a story that you can tell, that I think will have a lot bigger pickup than just the social side of it.

MS. CHU: Good suggestion. Thank you. Wade? All right. Where's Wade?

MEMBER HENDERSON: I'm right here. You know, I'm happy to, I have spoken once. But I do want to get in line. So, I don't want to lose my space. If you want to call people who have not spoken, I'm happy to do that.

(Laughter.)

MS. CHU: All right. I'll come back to you. Alden, and then Jane.

MEMBER MCDONALD: Okay. Thank you very much. I think the data that we've been collecting over the years is very, very important to the objectives of this Committee.

And when you're on the survey of the primary reason for being un-banked, I was just wondering whether or not we have a baseline from some of the previous surveys for that same question, to give us some type of indications to whether or not we're making progress from that source of information?

And with that being said, I think at some point it would be very important for this Committee to, I shouldn't say this Committee, but the staff to develop some baselines for us to track over the years that we've been following this issue.

And moving on to an observation. A lot of this information you could really get if you were to include perhaps in your compliance exams some questions. For example, do you have a Safe account? Do you have your BankOn certification?

And I think just with those questions in the exam will perhaps change some behavior automatically. But most importantly it will give you your survey information almost instantaneously, with a lot of the institutions.

And looking at the information we're getting from the consumers, and the information we can get from the banks, perhaps some other solutions can come about with the information from both sides.

MS. CHU: So, in response to your question about the primary reasons for being un-banked, and sort of how that has changed. So, and tracking changes over time. Certainly we report that information in each of our reports.

In the, like the trajectory of the percentage of the population that's un-banked has fallen. We saw that it dropped to seven percent in our 2015 survey.

The reasons, and the primary reason cited for being un-banked for the portion that is still un-banked has generally stayed fairly similar in terms of the, you know, the ranking of the reasons. Hasn't really changed very much.

Although, I mean it's not entirely directly comparable, because we've changed the way we've asked the question a little bit, you know, from the time we started the survey to 2015.

In terms of having baselines for tracking for, you know, for bank information, our, the current survey has slightly, you know, the questions were retooled from the questions we had in 2011, primarily both to reflect kind of market development, and also to reflect, you what we learned from our analysis of the 2011 survey.

And many of the questions, unfortunately, not directly comparable. You know, it's great to be able to get information without having to go to field a large survey.

MEMBER MCDONALD: Yes.

MS. CHU: And it's certainly, you know, an interesting suggestion for including questions in compliance exams. That would obviously give us information about our banks.

But, you know, we still wouldn't have

information about, you know, banks regulated by --

MEMBER MCDONALD: Sure. Well, listening to the previous presentations, especially from Veronica with the Urban League, this would give those partners some information that they can design perhaps some educational efforts around.

And, because we do not have enough money, or remember that number, was pretty high in previous surveys. And so, if we have these three or four reasons why people un-bank, we could begin putting some strategies together to help educate individuals that they may think this, but the reality is different.

MS. CHU: Right. Thank you. And Jane?

MEMBER BOSTON: Two questions and a comment. The first question is, goes to what Ted asking about, the business sense, is that there are so few banks that are offering deposits, opening checking accounts, excuse me, for less than $25 dollars. Is it because it doesn't make business sense? That's one question.

The second one is, on Page 7 you have this graph. And it says, primary reasons for being un-banked. Forty-five percent is other. Could you give us a couple of examples of other?

And then the comment is about being, making people aware, you know, how do we get in front of the American Bank Association, in terms of the panel that we just had, the previous panel, getting in front of an organization? I think they're even actually meeting this week in Chicago.

And then also, the different states have their own state bankers association. You know, getting it down to that level as well. And saying that it is good business sense would be a suggestion that I would make.

(Off microphone comments.)

MS. CHU: So we, so in the survey we, you know, the survey we, the bank survey we simply, was about, we asked about characteristics. We didn't, unfortunately, ask why the, you know --

MEMBER BOSTON: Can you give examples? They just put, they just checked off other?

MS. CHU: No. I mean, sorry, I meant, I mean, this is for when you asked about, you know, why so few banks have --

MEMBER BOSTON: Oh, okay.

MS. CHU: -- minimum opening deposits of less than $25 dollars. So, we don't actually know without talking to banks about why that is. We, for the survey we simply asked them to tell us about their basic entry level account, and the characteristics of that account, basic entry level checking account, basic entry level savings account.

And so, we don't know. Sorry. But certainly we have --

MEMBER BOSTON: I'll ask the bankers later.

MS. CHU: Right. We've conducted other research where we have talked to banks, et cetera. And, you know, and gained qualitative information. And that is always I think a, you know, a valuable complement to the quantitative information that we gather through the surveys.

For primary reasons for being un-banked there are a lot of other reasons. One of them that we've changed the wording of, you know, over time, has been, you know, don't need or want an account, for example.

PARTICIPANT: Don't trust banks.

MS. CHU: Don't trust banks was another one.

(Off microphone comments.)

MS. CHU: All right. John.

MEMBER WEICHER: Thank you. I've been working with the Survey of Consumer Finances off and on for a number of years. And noticed that overlapping your period, starting in 2007, where the survey happened to coincide with the peak of the economic upturn, followed immediately by the worst recession, and weakest recovery since the '30s.

And in the data over that period you have a noticeable drop in the proportion of households that have retirement accounts. And an increase in the proportion of households that have transaction accounts.

Not a large increase. But it starts in the mid 80s, 80 percent of all households. And goes up. Looks like a salmon swimming upstream in the data on this.

And I'm wondering, if you look at this from the household standpoint, can you look at it? The data you're having on Safe accounts, is that more consistent with the transaction accounts in general? Or more consistent with the retirement accounts?

I mean, it's certainly not a retirement account. But is it going up, or is it going down between surveys for households? Do you know that? Do you have that?

MS. CHU: No. So, this is a survey about banks. So, we --

MEMBER WEICHER: Yes.

MS. CHU: -- simply asked banks about it. And don't actually even have volumes of how many customers, right, they have in these accounts. We just know whether they offer an account with these characteristics, and what share offer accounts with these characteristics.

On the household survey side, we don't, you know, we ask it, we have asked questions about obviously whether you have an account, and reasons for being un-banked if you don't have an account. But we have not asked characteristics of, you know, what kinds of account people have or know about.

In the qualitative research that we did for bank efforts in 2015, maybe Kris can talk a little about that. We asked consumers about, we tried to get a sense of whether consumers knew about the availability of these kinds of accounts.

MR. RENGERT: We asked consumers as well as counselors that worked with consumers. And we heard that they do not. And so, even though the accounts are available in their market area.

And we would also have interviews with banks who are in their market area, and know that they have these sorts of accounts available. Consumers don't necessarily know about it. So, there's certainly a marketing and outreach issue that remains.

MEMBER WEICHER: Thank you. One other comment. I've been in those windowless rooms. And I feel your pain.

MS. CHU: I feed them lots of chocolate.

MEMBER ANNIBALE: I just want to say one thing, you know. And some of the data, it is very helpful. It surprised me that, like, for example, not, for the immigrant communities, and the Hispanic community, some low hanging fruit.

I mean, the ITINs. The fact that so few small banks, smaller banks accepting an ITIN. I mean, the IRS issues the ITIN. I mean, you know, they'll take money from anyone.

(Laughter.)

MEMBER ANNIBALE: So, KYC, for them it's another story. But, you know, I think the idea that, you know, ITINs make a huge difference for us in the ability for many, many people to open an account.

And if I couple that with taking the Matrícula ID, say for example from the Mexican Government, which some of our people think are more secure an ID than many drivers licenses probably are, you know, that opens up a very large number of people, between the ITIN and the Matrícula ID.

The issue for smaller, for big institutions, and certainly smaller, has always been this challenge around IDs, right. That it's, and I understand the political challenge of saying which is an acceptable versus a non acceptable.

But, and that is left to us ultimately to make the call. I think that comes back to something that would be helpful ultimately, interagency, I mean, I don't know what agency. But to say which IDs are acceptable would be helpful.

But certainly there's enough precedent for small institutions to fall back in on the ITIN, and on the Matrícula ID that for the Hispanic community could significantly increase the number of accounts opened.

MEMBER EAKES: So, I just want to reflect on some of the data. It's really hard to interpret at times. So, when we say less than one percent of banks are offering Safe account, then from various testifiers that we've had, we have roughly three percent of the customers of each institution that are taking advantage of the Safe account.

You could conclude from that, that we're not really recognizing the extent of the problem. You know, that means that very few people are actually getting the benefit of a Safe account, if you just took that facial statistic.

On the other hand, we say that 87

percent of geographic areas have some institution that has a Safe account, which could be a reflection just of Bank of America having a Safe account, and having branches, you know, lots of different places.

But if their market share is very small, that would over represent that we have less problem than we have. Because it seems to be suggesting that everyone at least has access or choice. But they may or may not have access to that particular institution, or even know about it.

And so, my comment is thinking that "U.S. News and World Report," when they do rankings of colleges, if they came out with sort of aggregate summary data, I don't think anyone would read the report.

But what they're doing is they're ranking by name, which is sort of politically impolite. But it really does focus people to get better, even if they don't like the way "U.S. News and World Report" does the rankings. You pay attention if your name is in print.

So, you know, I'm thinking on one hand if we have the very large institutions, which we don't normally want to over emphasize. But in this case they have such a large, I mean, I don't remember what the number is. But it's something like the ten largest banks had 60 percent of all, 60 to 70 percent of all checking accounts in America.

If we did actual rankings that said, CitiBank is at the top of this list, because it doesn't have overdraft fees on any of its accounts, and it doesn't have overdrafts on ATMs.

And we have Bank of America next, saying they don't have overdrafts on point of sale. But they do have, permit overdrafts on ATMs. And we have Chase and Wells, and we list by name. I think we'll get a lot more significant take up and appearance.

And the folks who are doing bad, who know, on overdrafts -- And the other thing that struck me in this data is that overdraft and NSF is really the nub. I mean, that's the place where there's huge amounts of fees being charged. And it was the primary --

Matter of fact, I turned to Marty and said, I remember Marion Barry saying, you know, Washington, DC is a really safe place except for the murders.

I have to say that these are all Safe accounts, except for NSF and overdraft. Sort of in that same vein. It just seems like we're too polite here. That we need to actually be figuring out what will have impact.

And the small banks, as important as they are to our communities and culture, they don't reach a large percentage of the checking account issue that we're focused on here.

MS. CHU: Wade?

MEMBER HENDERSON: Finding ways --

MEMBER EAKES: I haven't lost my chance, have I?

MS. CHU: Okay.

MEMBER HENDERSON: Thank you, Karyen.

Guys, I want to ask a question. And then I want to make a suggestion. The question is based on the potential interrelationship between pay day lending, and the availability of accessible accounts.

You've just aggregated data which highlights disparities in use of these accounts by black and Hispanic households, which seems to be tremendous.

The CFPB has just issued a final rule on pay day lending. It goes into effect, I'm sure you know, in a couple of years. The assumption that I'm making, and I'm not sure if it's borne out by data. So, correct me if I'm wrong.

Is that in part the lack of the use of, or the reasons for being un-banked in your chart on Page 7, that highlights the almost 38 percent who say they don't have enough money, are precisely the kind of people that have been in part preyed on by pay day lenders in the past.

And the availability of accessible

accounts might in fact reduce that number. Although it's not clear.

I'm wondering whether you all do any data collection related to pay day lending, and whether it has an impact on the un-banked, and those who have access to, will use, rather, these accessible accounts?

And I'm especially interested, of course, in this aggregated data that highlights a huge disparity among African-American and Latino households. And then I have one recommendation. So, let me have you answer the question first.

MS. CHU: So, for example, we have, in our household survey we ask households about when they used, you know, pay day lending and other alternative financial services. And we certainly have those measures.

We know, obviously, because we have a measure of whether a household is under-banked, whether the household also has a bank account. But again, we don't know the characteristics of the bank accounts that they do have. Nor do we really know the characteristics of the accounts that they could have access to, even if they don't have it.

And so, we don't quite have kind of those two measures combined, if you will, to be able to say something, or at least to be able to answer your question.

MEMBER HENDERSON: Okay. So, let me come to the solution, or recommendation. First of all let me be very frank and clear. I'm interested in supporting the CFPB's role.

And I'm interested in acquiring data which reinforces the fact that pay day lending is often an option for those who can't afford to participate in the banking system. And therefore, they're induced into using pay day lending, which has dire economic consequences.

And so, I want to support them both, which I know is going to be a challenge. Pay day lenders, who see their lifeblood being sucked out of them by way of this, and others who seemingly are different.

So, here's the issue. Alden has made a recommendation about using compliance exams. Martin has raised this question about how you gather data on that user.

Is it possible to have a session with researchers like yourselves from the Advisory Committee for those who want to participate? Not -- and establish one of your four meetings. You can do it separately.

But I'd be interested in talking with you in advance of your data collection, to see whether there are ways of getting you to collect other data that would be more relevant to the real world considerations beyond which you already have.

I mean, I think what you're doing is terrific. But there is a need to be able to use some of the data which you have access to, to promote policies that achieve the overall objective that we share in common of greater participation in mainstream economic activity.

And so, I'm interested in having a

session with you guys, in advance of your undertaking the survey, where we could talk about what you intend to collect, and whether there are ways of tweaking that data so that we can have something more accessible, and more useful in the political world.

MS. CHU: Well, certainly we are actually moving in that direction. We, this is 2017. We have, we've fielded our 2017 household survey already.

But we've been looking at revising the 2019 survey and beyond. And we are about to actually embark on an effort to, for outreach. And certainly --

MEMBER HENDERSON: Please invite us.

MS. CHU: Absolutely agree that we reach out to you.

MR. MILLER: All right. So we do, so we have actually I think for both of the last two survey instruments, we've actually -- Well, first of all, we're required to put, publish it in the Federal Register and ask for public comment.

But before, I think even before that we have shared it with the Committee. And set up conference calls for those interested to have any discussions. Because we think, because we, you know, we all think, we can all think of questions we wanted answers to after the questions have been asked.

MEMBER HENDERSON: Absolutely.

MR. MILLER: I mean, we do too.

MEMBER HENDERSON: That's the deal.

MR. MILLER: And we, and the balancing act we have, and I mean, it's a, we have very little territory. It's like a 15 minute at the most interview. Ten minutes that we get to ask people questions. And I think about it, you know, I try --

Whenever somebody, whenever I get a call for a survey, I mean, almost in sympathy with my colleagues I say yes. But I notice how long --

PARTICIPANT: And you always regret it.

MR. MILLER: And I always, how long is it going to take? And they always tell me that it takes less time than it ends up taking. Yes. And just a few minutes. Right. Right.

And so, we really have to be incredibly strategic in the kinds of questions we want to ask, or what we actually use. And it's a, you know, we have our own staff, you know, in a room sort of fighting it out as to what should we ask. And what, I mean, it's a tough, it's tough. But we do.

And we will continue to share the instrument with, the draft instrument with the Committee. And to set up calls to get your reactions to it, and suggestions. We are here to give us advice on those sorts of things. Thank you.

MS. CHU: Michael.

MEMBER BARR: So, sorry for joining you late. I want to agree with, and share, and maybe emphasize Martin's point about the overdraft problem as being a real issue.

So, it doesn't really help if it's cheap and easy to get in, if it's just a way of getting dinged with overdraft fees. And a lot of consumers, not just low income consumers are living so close to the financial edge, and with such income and expense volatility.

JP Morgan Chase Institute did a study on their customers, where were not the low income customers. And the extent of income and expense volatility, even in quite middle income families was striking.

So, I think Martin's right to focus us on this question of overdraft, not just the nominal fee that's charged, but the incidence of the fee. How many times that fee is charged on average per account.

U.S. PIRG did a review I guess of just the top banks. And ranked them by, to Martin's point about ranking, just ranked them by dollars charged per X number of accounts.

And you can see how, and there's a fair to say -- a striking spread across the institutions. It is not a uniform approach. And then obviously within the population there's a real concentration of incidents among the most vulnerable people.

So, even that measure of a dollar per number of accounts is missing just extraordinarily focused burden on a relatively small group of people who are continually over the year getting themselves into trouble.

MR. MILLER: So, I, as part of the materials that we set up ahead of time I included the most recent CFPB, what they call a datapoint. They have access to much more granular data on overdraft and other things, from institutions.

Ours is a survey. Theirs is transaction data. It's really worth looking at that data. And that's in the U.S. PIRG. But they do, they look specifically at frequent overdrafters. They sort of cluster the accounts by certain characteristics.

It's worth spending a little bit of time with. And it might be worth bringing them in to talk to us about what their data show. But, you know, well, we can, we'll think about that.

MEMBER EAKES: One of the things I think is a problem sometimes with data is that you have too much. It's almost as if you have none.

And so, when I think about Thomas Piketty, you know, with his thousands of pages on the distributions, well, by picking a single metric, or emphasizing a metric of what is the wealth, and what is the income captured by the top ten percent of households, and run it at across country, he was able to glean insights because he had a single normalized metric.

And I'm wondering for you, if you were to tell us, there's one metric I want you to focus on that will sort of cut through all the mustard, and help us on whether --

And I think it would have to be something connected to overdrafts and NSF. What would it be? What is the metric that you would want us to focus on? Because if we have 25 different measurement points we don't know over the time that we need to have this Committee, have we progressed, or have we gone backwards?

You know, that, you know, one percent. We've got so many different share numbers that we're looking at. On the big level I think we want to know that we are moving in the right direction in a trend line over time. And I'm wondering, what would you focus us? Or maybe for a later conversation, what --

Well, maybe it was what you were saying. But for it to get done -- what is the revenue for overdrafts and NSFs per number of checking accounts? And we then measure everything on that.

And we can do it in areas by census track by race. And maybe we can do it thinking that you're never going to really be able to publish reports that rank banks in a way that might embarrass them. I just don't think that's going to be an FDIC role.

But you do, are the gatekeeper, or one of the gatekeepers of data that others can use. So that when we have a call report change, or a modification that broke out between overdraft fees and NSF fees, it was highly valuable to people who then could do the rankings, that third party.

Do you, how much influence do you have over call reports? You're one of four agencies that have to agree? But you are one?

MEMBER ANNIBALE: Right. We do report the call reports, that data. I mean, the banks. So, I mean this report Michael's referring to talks about the dollar amount per deposit, overdraft fees per account.

And it gives you a dollar amount that you're charging, divided up by the number of accounts. And it's quite stalking. I mean, the numbers are. I mean, the top 20, there's a multiple of what, 30 times --

MEMBER EAKES: Thirty times from the bottom to the top.

MEMBER ANNIBALE: Yes. And it's one of the one where we're happy when you're at the bottom of the lead table. Probably our only lead table you want to be down at the bottom. But it really has an enormous difference of fees per account.

And I think it's reported by the banks today. And it just gives a sense as to profitability on accounts, how that occurs. When you realize how hard it is on a current account if you're not making those fees. But low interest rates, you know --

So, that number is reported. And I think it's hard not to have just a moment of gallows humor here, that if you can create a couple of million fictitious accounts, it might actually, it improves your score.

(Laughter.)

PARTICIPANT: Marion Barry.

PARTICIPANT: Yes. You hold that up to --

PARTICIPANT: Better be quiet.

MR. MILLER: I think I will, if there are no other questions or comments, I think we're ready to break for lunch.

(Whereupon, the above-entitled matter went off the record at 11:57 a.m. and resumed at 1:26 p.m.)

MR. STOKES: Thank you, Chairman Gruenberg and members of the Advisory. We're pleased to be here today during National Disability Employment Awareness Month to update you on the Corporation's progress to improve financial inclusion for people with disabilities.

Before I introduce our speakers, let me take a few moments to update you on our activities since May of last year when we spoke of our commitment to improve the economic inclusion of people with disabilities.

Our focus includes three parts, first, collaboration with partners, including the CFPB, who we signed a memorandum of understanding with and identified the cohort of 34 organizations we are jointly talking to in making available financial education and empowerment tools for, and the National Disability Institute, who we have partnered with and have participated in financial inclusion summits, including summits in Orlando and in New Orleans this year.

And I might note that your fellow Advisory member, Kelvin Boston, has participated with the National Disability Institutes on at least two occasions during the course of the last year. And I'll allow him to speak about that later during the comments and questions.

Second, an enhancement of our suite of educational resources. We have updated our guide to presenting Money Smart for Adults and created a instructor's supplement of four scenarios for inclusion where we follow individuals making financial decisions.

The scenarios include information about alternative financing programs available to people with disabilities to pay for assisted technology and home modifications and about centers for independent living, aging and disability resource centers, and other resources that Money Smart instructors may not already be familiar with.

Thirdly, pursuit of initiatives to identify and disseminate information about inclusive products and practices. We provided a webinar in March of this year to our own staff and community affairs. It included speakers from the Southeast Americans with Disabilities Act Center and the National Disability Institute covering topics such as reasonable accommodations and people-first language.

We continue to monitor the expansion of state ABLE programs. Those are the new tax-advantaged savings accounts for people with disabilities available in 27 states and in the District of Columbia. Account holders can save money without losing eligibility for means-tested benefits such as Supplemental Security Income and Medicaid.

We have provided in your packets copies of the Guide to Presenting Money Smart for

Adults and the scenarios for financial inclusion. They're precursors to our redesigning Money Smart for Adults and a curriculum with a universal design and including more information for peoples with disabilities.

Before I introduce our speakers, I would like to extend an invitation to you to join us for a joint FDIC/CFPB webinar. It will be on November 15th at 2:00 p.m. Eastern Standard Time on financial education and empowerment resources for persons with disabilities.

And now it's my pleasure to introduce our speakers. Their full bios are in your briefing materials. Tom Foley is the Deputy Director of the World Institute on Disability. And Joseph Keefer is the Executive Vice President of Bryn Mawr Trust Company. And he's accompanied by Anthony Poluch, who's the Senior Vice President and CRA Officer.

Mr. Foley will discuss his work with financial inclusion and his observations of the work that FDIC and its partners have done and continue to do.

And he'll be followed by Mr. Keefer, who will speak to how he's established a relationship with a assistive technology lender, who's also a CDFI, and their marketplace that has led to opportunities for them and to address the credit needs of individuals with disabilities and certainly carrying it out in terms of a community bank business model.

And so, with that, we'll continue with Tom.

MR. FOLEY: Thanks, Thomas. And thank you, Chairman, and to the committee. It is truly an honor to be here this week.

And I know Tom has already mentioned this, but to be here during Disability Employment Month is really important, because employment and financial empowerment are so tightly linked together that talking about empowerment during Disability Employment Month just makes all the sense in the world.

So, again, my name is Thomas Foley.

I'm with the World Institute on Disability. We are a disability research and consulting shop out of Berkeley, California. And we have been doing work in and around financial education and asset building for the last 20 years.

One of the things that sort of differentiates WID from a lot of other organizations is that at least 50 percent of the staff and board, it's more like 75 percent these days, are people with disabilities.

And so, you know, we know from whence we speak. We've lived it. We've been there. We've done that. And we are working with, you know, folks to really improve their economic outcomes. You know, we are basically organized by and for people with disabilities.

You know, my own journey around financial education, I was really fortunate. When I was a sophomore in high school back in 19-something, I was fortunate enough to be able to take a financial empowerment class. And it really changed my life.

And I've been involved through WID for the last ten years in doing this work and sort of off and on for a much longer time than that.

At the World Institute on Disability, for nearly a decade, we published Equity, which was an asset building and financial education magazine specifically targeting folks with disabilities.

And in 2014, we published the book, Equity, available through amazon.com, by the way, which is the first book specifically talking about economic development and financial empowerment for people with disabilities.

I know that everyone in this room is probably familiar with the statistics around the banked and unbanked population of people with disabilities. Suffice it to say that it is not very good. It approaches nearly 50 percent. In certain more diverse communities within the disability community, it's far worse than that.

But I don't sort of want to focus on the negative around this. I was really taken with something Andrea said. You know, so this committee has been around for ten years. And Andrea mentioned at lunch that, you know, ten years ago financial inclusion really wasn't a term.

And I think back to when I started at WID ten years ago. You know, I'd show up at a conference, and we'd talk about disability inclusion, financial empowerment. And there would be three people in the room. And usually one of them was lost. And the other one just liked Golden Retrievers.

So, you know, we have come a really long way in the last ten years. And I think that's really what I'd like to kind of concentrate on today, because the view from this side of the table is very different than it used to be thanks to many of the people in this room.

So we've sort of identified a number of different issues that we wanted to highlight that have really resulted in this sea change, right. And one is, the three are intentionality.

There have been some policy changes. And there have been some customer service, or as Ted said, early business decisions around inclusion that I just want to touch on briefly.

So, you know, we all know from an intentionality standpoint, inclusion doesn't just happen. If it did, we wouldn't have to be talking about it right now.

So one of the things that the disability community is big about talking about is, you know, nothing about us without us. If we're going to talk about financial inclusion for people with disabilities, it's important to have folks with disabilities at that table.

You know, over the last 40 years, the Civil Rights Movement has really, you know, talked about including people with disabilities. The ADA got passed almost 30 years ago at this point.

But, you know, the intentionality of including folks with disabilities is, you know, really important. And I want to talk about a project that we are privileged to be able to be part of, which involves both the CFPB and the FDIC. And Tom alluded to it a bit earlier.

Very quickly, CFPB has put together a Focus on People with Disabilities guide. It's a companion guide to their Your Money, Your Goals financial toolkit, kind of a just-in-time financial intervention toolkit. And this guide specifically focuses on the issues, the unique issues often faced by folks with disabilities.

The FDIC has helped recruit 34 disability organizations to be part of this first cohort as we roll this resource out. And I have to tell you, it has been a great success.

You know, as I mentioned, you know, ten years ago not only was no one at that conference from the disability community there, but we just weren't talking about it.

But these 34 disability organizations that are part of this cohort are responding, you know, very, very positively to this financial inclusion and the technical assistance.

And I have to tell you, having CFPB and FDIC's name on it has made that a lot easier. Having FDIC and CFPB as part of this has really legitimized this as an important goal within the disability community.

And, you know, we have 34 national disability organizations, all of whom, you know, regularly participate in trainings, regularly participate in webinars, participate in phone calls. And that is, to a large extent, all very new.

In addition to the Focus on People with Disabilities, we are also providing trainings where we target the entire disability community. Sometimes people say, you know, tell me about the disability community. And I'm like, well, there's like ten of them, right.

So there's the centers for independent living. There's voc rehab. There's, you know, national disability organizations. There are blind organizations. There are deaf-serving organizations. You know, it's not just one group of people.

But part of the brilliance of putting together this cohort is all those different organizations are represented in this work and all are participating.

Just in the next couple of weeks we've got in-person trainings in Chicago. And FDIC is a part of that as well. And an FDIC staffer will be showing up to talk about Money Smart, as well as the new CFPB product. We'll also be in Vermont. We'll be in Chicago. We'll be in Iowa. We'll be in California.

And for those of you not flying home tomorrow, right here at 2:00 there will be a webinar looking at how Money Smart and Your Money, Your Goals can support one another in the disability community to really make a difference in the lives of folks with disabilities.

Just one thing to kind of wrap up the intentionality piece, on November 2nd we're going to be doing a special webinar for one disability organization. They are expecting to have 375 of their affiliates across the country participate in that webinar.

I've been doing this work for a long time. And the idea of being able to have that kind of national reach for a financial inclusion webinar is only happening because of FDIC's and CFPB's participation. And, you know, when we talk about intentionality, that's the intentionality that we're looking for.

I really knew we were making progress in the disability community last week when I was talking with somebody who started lecturing me about the importance of credit reports in the --

(Laughter.)

MR. FOLEY: I was like, yes, I've heard of this.

So, you know, one of the other things, moving on to policy, and this has been just a complete sea change. So Tom touched on it, the Achieving Better Life Experience Act.

I think probably most folks in the room know that for generations, folks with disabilities, if they received federal benefits, could not save more than $2,000 in liquid assets, 3,000 for a married couple or you would lose your benefits.

That's a pretty strong disincentive, right. I'd like to save money, but it's going to take away my medical coverage, or it's going to take away my income stability. So I just won't save money.

So, in 2014, the Achieving a Better Life Experience Act was passed, signed by President Obama. And as Tom mentioned, there's now 27 state programs up and one in the District of Columbia.

The really neat thing about these is that you don't have to be in the state to be able to benefit from it. I, who live in California, could open one from Nebraska or Iowa or from wherever I wanted.

And it would allow me to save up to $100,000 in an account and not worry about losing my SSI or my Medicaid. This is an absolute gamechanger for folks with disabilities.

You know, the very first time we presented on this we did it with CFPB in California. And someone actually raised their hand and just said I don't believe you. And that's kind of the discouragement and the disincentive that we're fighting an uphill battle against, right. And it was a really powerful movement.

But, you know, coming back to Disability Employment Month, we also think that, you know, all of a sudden people with disabilities very much for the first time ever can work and save money for their own futures, which is just remarkable.

I was talking with a friend of mine that I've known for probably 35 years. I met her when I first moved to Berkeley. And she was pretty doubtful about ABLE back in 2014.

But we did a presentation on ABLE a week ago Monday. And she said not only had she opened her ABLE account, but the following week she was accepting more hours from work because she had a place she could safely put the money.

And that just floored me, right. She had been turning down work because she was afraid she might lose her benefits. And I said, wow, that's great. And she said, yes, I have $500 in my ABLE account now.

And I thought, you know, that $500 means not going to a check casher. It means not using alternative financial stuff. This is exactly what we've been preaching about and targeting for a decade.

And, you know, it's a pretty powerful thing to bear witness to the rebirth of hope for an entire group of people around both employment and economic development. And we have ABLE to thank for that.

You know, lastly, I wanted to talk about, you know, the third thing that's all coming together right now is sort of customer service. But I think Ted really hit it on the head earlier today as well. It's a business opportunity.

You know, when we talk about disability, a lot of times we're talking about, you know, folks who might have a disability when they're young. Maybe they have a disability a little bit later in life.

But for a lot of people, as we get older, things don't quite work as well as they used to. You know, sometimes maybe your sight starts to go a bit. Sometimes your hearing starts to go a bit. I really miss my knees.

But, you know, these are folks that suddenly have access issues around financial services. So maybe it's a 65 or 70-year-old man who no longer can really hear through the bullet-proof glass or, you know, same deal where somebody maybe can't see the really small web font. And, you know, so that's one of the driving forces as well.

And particularly, you know, we all know that wealth sort of accumulates with age. So we have an aging population with some wealth in financial institutions who now have new customer service needs.

The other thing I wanted to hit on is, and we often leave this out, but, you know, there are eight and a half million people in the United States who have disabilities who earn over $50,000 a year. That's a $450 billion market that I'm pretty sure most banks would be interested in having a piece of, you know, if they got the accessibility right and made those products accessible to and inclusive of folks with disabilities.

I just wanted to touch on one more piece around that. Technology is turning out to be a huge, just a huge piece for folks with disabilities.

I was talking with someone earlier today. When it comes to doing banking or investing, what I do online with this computer every day I simply could not do 15 years ago. There was no way.

Mobile apps as well, right, you can,

I can use a mobile app to make a bank deposit. I can check my balance. I can do bill pay.

It's all stuff, there was no way for me to do that independently, you know, 15, 20 years ago. And, you know, websites and mobile apps are becoming even better and better as we move on.

Last piece around technology, a lot of financial institutions really are breaking out this new field communications, Near Field Communications, which means I don't have to use the ATM machine. I can just hold up my iPhone.

I work with a young guy in my office who's a quadriplegic. And he does not have the strength to put an ATM card into the machine and then take it out. He can operate his phone from not far away from the machine. And so he will now have access to an ATM machine probably for the first time ever to do the banking that he needs to do.

So, you know, we're really at this time of a complete sea change where, you know, the intentionality and the policy, the seeing people with disabilities as a business opportunity, and the technology are all coming together.

And I just want to thank everyone from CFPB and everyone from FDIC, and frankly, if you're here, everyone in this room for being part of that.

We have the opportunity to go forward to permanently change the economic expectation for people with disabilities. Thank you.

(Applause.)

MR. KEEFER: Okay. Thank you, Tom and Tom.

Mr. Chairman, members of the committee, I'm Joe Keefer. I'm the Chief Lending Officer of the Bryn Mawr Trust Company. This is my friend, Tony Poluch. He's the CRA Officer. And I'd like to introduce Susan Tachau. She's the Chief Executive Officer of PATF and is in this partnership with us that I'm going to talk about today.

Now, I've got to admit, I'm a lender. I'm a little nervous. You guys insure our deposits. I lend the money out. And I'm trying to do a good job. But the customers love the insurance. If you could raise the limit, but just for our bank ---

(Laughter.)

MR. KEEFER: But before I get into the program, I'll just tell you a little bit about the bank. I'm very proud of it. In fact, I looked at your mission statement with the virtues. And number one on yours is number one on ours, which is integrity. So it's very important.

But the bank started in 1889. I was the first teller. But we have 3.3 billion in assets. So, you know, it's a nice size community bank. We have 30 branches.

We're primarily a business bank. People don't know this. But 65 percent of our loans are business loans. And about 80 percent of our deposits are business deposits.

We do have a retail presence through the 30 branches. So we're a pretty big residential mortgage lender and a lot of deposit services.

So the other thing, piece about us is we have a $14 billion wealth management business. So that's good for us, because we have 35 percent fee income. So, if you look at the way our earnings are, it's 65 net interest margin and 35 percent fee income, which is good.

We got through the recession relatively unscathed. I mean, we had some issues. But quite frankly, after the recession, people kind of looked up to us as strong, stable, and secure. So our currency got really good.

So, since 2010, we acquired three banks. We acquired three wealth companies and three insurance companies. So we really think we're well-positioned, because we want to stay independent. I believe in community banking. I've been in it for 26 years. And, you know, so we think we're really, really well-positioned.

Our loan program with PATF, I'm going to talk about how it got started, why we think it works, and then the details of the program, which they're in a handout that we gave you.

So how it got started in 2010, Susan was worried about her bank. So she opened a 200,000 deposit in our bank. So a small business lender sees a big deposit come in, goes out and pays her a visit, which it's the way it works.

So he comes back --- he's now retired. He's a great guy, Tom Giamoni. He comes back. He looks for an advocate at the bank. He sees me. He says, Joe, you got to go out and see them. So, you got to see what they're trying to do. And they need this loan program. So that's kind of how it got started.

But why it works is it's truly a partnership. Susan is educating us about the needs of people with disabilities. We're educating her and her members about credit. I mean, it's important that people take credit seriously, and especially, you know, folks with disabilities so they can get the things that they need.

So there's a big, big trust factor there. And I can't --- and this wouldn't work if the folk came in by themselves. I think the fact that we have this partnership program is why it works.

The other thing they do is PATF completes the application with the borrower, with the consumer. So they spend a lot of time educating them.

So, by the time they come to us, they're ready. And we can process it efficiently, because it's a very good program for them. And we got to do it that way or else, quite frankly, it just wouldn't work.

So, with that sort of as background, and the idea would be if there's, there's PATFs all over the country. If everyone could have an association with a community bank, then you could really leverage it by 50 states. So I think that's kind of the idea.

So, if you look at it, I'll just go through the program real quickly so you can get an understanding. We started the program in 2011. Since that time, we originated 204 loans for a total of 2.9 million. Quite frankly, I wish it was more, but that's 204 people who got equipment they really needed.

The way the loan program works, it's pretty straightforward. We offer a below-market fixed rate at 3.75 percent. It's a good rate. We don't charge any fees. But the reason for that is PATF pays us a one percent origination fee to try to cover some of the overhead. So that works well.

Our loans are from $1,500 up to 60,000. And the terms are up to 120 months, so up to 10 years depending on the type of equipment.

What's most important is the enhanced underwriting. Most of you know banks don't like to lend more than 43 percent of someone's monthly income. So, if you make 10,000 a month, it's

4,300.

However, a lot of these folks are on SSI. So they don't pay taxes. So we said, hey, we can expand this. We can expand the debt ratio because they just have more of, they don't have to pay the taxes, so we can lend them more based on that percentage. So that was a little unique and kind of getting out of the box a little bit.

The other thing is sometimes folks with disabilities, their credit's impaired, and they don't even know it just because of what's happening with the insurance companies, the medical provider.

So we said, look, our normal credit score -- I mean, we go below this anyway. It's just the policy limit is 680. We'll underwrite this person to 600.

But the idea would be, if they take this loan and it works, that credit score is going to build. So that's very, very important.

The other thing that's unique is there's a guarantee program. So the PATF, if we can't approve the loan, because we are a bank, if we can't approve it, PATF may want to guarantee the loan. And about 32 percent of the loans that we do are guaranteed by PATF.

In fact, when they're going through the application process, they won't even pull credit until we go through our process so they don't -- because, you know, if you pull credit too many times, it's going to affect your score.

The other thing they have, which is in our contract, and they're not obligated to do this, but if we have a loan that's not guaranteed by them and the individual falls into some trouble, maybe they lost a job or something happened, they can make up to three rescue payments. And that won't affect their credit. So they're not obligated to do it. But often they do.

So that's the program. I mean, the other things -- oh, what do we finance? Hearing aids, scooters, vision equipment, tablets, computers, home modifications, ramps, and big ease adaptive vehicles. So these are all things that add to the quality of life. And they need it.

And one thing PATF does is they make sure there's no other programs available to them. So it's almost like this is their resort to be able to get what they need. So that's important.

The other thing that we do is we try to make it as convenient as we can for them to settle the loan. So, if they need help, we'll go out to the home. Sometimes we send a notary out. There's just a lot of different -- you have to be flexible. And on that, we get guidance from the non-profit PATF to help us do that.

So I'm glad we're doing it. We might have the opportunity to do it in New Jersey soon. So that would be good.

And I'm so happy you guys invited me down. This is a big thrill for me. No, it is. I mean, you know, you insure our deposits. So it's, you know, that's really neat. Thank you. Got any questions, be happy to take them for --

MR. POLUCH: And one of the things is we have given loans to every county in the state of Pennsylvania. So, even though our bank is located in southeastern Pennsylvania, we have given loans to somebody who lives in Erie through PATF. So we reach the entire state for this particular product.

MR. KEEFER: And if they didn't have the program, they'd be using their own capital. So this is a way for them to leverage. So, if you can figure out a way how to multiply this, you know, it would be good.

MR. STOKES: Thanks. We'll open it for comments and questions. And I guess I teed you up to be the first one, Kelvin.

MEMBER BOSTON: Yes --

MR. STOKES: And --

MEMBER BOSTON: Go ahead.

MR. STOKES: -- one other thing, if you wouldn't mind repeating your name and who you're with, it's -- Tom and I play this right or left game --

MEMBER BOSTON: Okay.

MR. STOKES: -- you know, so we just want to know who's on the right, who's on the left.

MEMBER BOSTON: Great. Kelvin Boston with Moneywise television program. And I thought that I was a pretty, somewhat learned person and, especially around economic inclusion and financial empowerment.

But it wasn't until I attended an event on the Americans with Disabilities Act with NDI that I really for the first time began to understand economic inclusion as it relates to people with disabilities.

And I think part of the problem in our society is that we have an entire invisible group among us. And we see people in wheelchairs. We see people walking and, you know, but, you know, they're just folk. They're just family members. They're just people in the community. But you really don't realize that there are 56 million people in this country who have a disability.

And it was also working with NDI that I learned of those 56 million, that 25 percent of them are people of color. And then I learned that if you're an African American, it's more likely that you will become disabled over time.

And then I learned that African Americans who are disabled are the poorest of the poor in the United States. And I thought I was pretty well-learned. I didn't know any of this stuff.

And since beginning working with Michael Morris and NDI, I became very passionate about this, especially in the times that we're living in, because I also realize that when we talk about the income gap and the wealth gap in all of America, we forget that there's also an income gap and a wealth gap in communities who are disabled.

And so, again, I'm so happy that over the last couple years -- and FDIC has been with us and banks across the country have been with us. But, so we did a Moneywise event for people who have disabilities in Atlanta.

And you mentioned recently I was privileged to be with the NDI and FDIC when they convened. And this was fascinating. They did a convening where they brought the banks and the community partners and people and organizations who have disability together in the room to talk about building a bridge and making connections and how they could work together, wonderful stuff.

And lastly, I'm just so proud that, again, because of Chase Bank and Michael and NDI that we have for the first time a major report on race, disability, and poverty in America.

So I just want to thank you and thank -- we don't -- you know, I like to catch people doing something good. We always catch people doing something bad. There's a lot more that we can do. But I think that FDIC, I think that Chase and Citi and all the banks should be proud of what we're doing.

And the one thing I want to say that

I also think is important not only as a business opportunity, but I've been proud to learn about how many banks have embraced people who have disability to be their employees.

And, again, I go back to Bank of America, Regents Bank. And I just learned all this. But you're doing some good things. And I think we should hold this up as a good thing that banks are doing across the country. Thank you.

MEMBER BARR: I just wondered whether -- this is terrific. And like Kelvin, except ten times that, I don't know very much about it, so, and didn't before. But this seems like a terrific partnership.

And I'm wondering whether the FDIC either is or can play a role in partnering along the kinds of ways that Bryn Mawr Trust and PATF have partnered to play a matchmaking role in finding local organizations and community banks that would be interested in connecting with each other.

MR. STOKES: Actually, what we spoke

of earlier about the 34 cohorts and what Tom mentioned in his remarks is actually what we are doing.

MEMBER BARR: That is driven by this, by the FDIC's connection?

MR. STOKES: Right. We're partnering with these organizations to find ways to develop those pathways such as what Bryn Mawr Trust has been doing, working along with the assistive technology lender.

And so we're doing that around the country with these 34 cohort organizations as the foundation for that and hopefully taking that beyond to scale.

MEMBER BECK: It's Ted Beck from the National Endowment for Financial Education. First of all, thank you for the presentations. They were very helpful and very interesting.

But I'm going to tell you a quick story if I could. Because we, as an organization, fund a lot of research, Susan, who presented to us two years ago, called me and said who is doing the best academic research on the challenges and opportunities around financial inclusion for people with disabilities.

And with the exception of the work the FDIC is doing and some of the pieces of paper in front of you right now, we were stumped. We couldn't find a good research agenda in the academic community around the challenges that we've just talked about.

So an opportunity I think for all of us is to encourage some really good research in this space. We get these questions a lot. And we always come up with somebody who's doing good work. And this was the first time we had nothing.

So, for the FDIC research agenda, for other organizations who are interested in funding real research around this challenge, this is a big one that, as, you know, Kelvin said, is invisible.

MR. STOKES: Andrea.

MEMBER LEVERE: So, Thomas, it's

Andrea. So, building on your opening point about ten years ago we didn't know the word financial inclusion, right, I'd like to ask everybody on the panel. So what are the next steps that we all need to take together in your view?

MR. KEEFER: I think if we could set up more relationships like this. I mean, go to them and say, use PATF as an example. Go to them, because they have these organizations in other states, and say, look, look what this person did. Go to a local bank. You can leverage what you get, you know, in however they raise their money and grants. And you can help more people, so, if you took this program and you multiplied it by ten community banks and 50 states.

MEMBER BOSTON: I think -- could you help us? We see the business opportunity. But could you just really lay it out? Are you making money with these loans? You know, banks don't want to take a loss.

MR. KEEFER: No, well, if we did it at

cost, probably not. But we do have a nice relationship with PATF that, we like that. I don't know that you need to make money. I think we just don't need to lose money.

And I think the biggest thing is if it jams up the works, this is why, what PATF does that's so important. It would be harder for us to do it. And we probably would have to charge more. We are a public company.

MR. POLUCH: But I will say it is a CRA opportunity for the bank. And, you know, that is the buzzword. And if banks were presented with this, I think they would take the time to look at the particular program.

MR. KEEFER: Yes.

MR. POLUCH: And the --

MR. KEEFER: We would have done it --

MR. POLUCH: Yes.

MR. KEEFER: -- I think anyway because we just fell in love with Susan. But --

(Laughter.)

MR. POLUCH: The other thing that they

do is they created Cents and Sensibility. I don't know if you handed it out. It's just a wonderful book about, a guide to money management.

And in fact, it's actually -- I hate to say it, but as a CRA officer, we have to do training for -- we have a low to moderate income mortgage program, which we call the Neighborhood Opportunity. And we have to do money management training.

And, you know, after working with Susan, see if I could take some of this information out of here because it's a great book that they present and go over with their clients before they actually get the loan with us. So --

MEMBER LEVERE: Tom?

MR. FOLEY: You know, I think -- and thank you for the question. And I think from a financial empowerment perspective, I think we're on to something with this current project, right, because, you know, no joke, I had a stranger lecturing me about the importance of credit reports last week. And thank god, because that's just never happened before.

But from a paying down debt to credit to whatever, all this is really new in the disability community. And I think we have some proof of concept here, right.

You know, we line up a cohort that has a broad national reach. We give them a lot of technical assistance, a nudge here and there when we have to. And we give them access to fantastic resources, you know, either FDIC or CFPB, preferably both at the same time. And then we give them the support they need.

You know, we're seeing some of the change I made reference to happening in real time. And it's an area that sort of cries for investment, because, you know, what if in five years there's another eight million folks with disabilities who are employed at that $50,000-plus. What does that look like, right?

And I think one of the ways we get there is, through ABLE and through financial empowerment, we show people that they can work. We show them how they can save money. We show them how they can manage their money. And we're having a very different conversation about this in another ten years.

MEMBER LEVERE: Thank you.

MR. STOKES: Patricia.

MEMBER McCOY: Thank you. Patricia McCoy, Boston College Law School. Your efforts and those of our colleagues at PATF have educated this Advisory Council in an area where we woefully needed education. And I'm very, very grateful to you all.

I had a couple of questions. One is for Thomas. And that is, I'd be curious as to your analysis of the reason why the percentage of unbanked in your community is so high. My guess is the reasons might be slightly different than the larger U.S. population.

And for the penless from the Trust Company, I was curious if the debt to income cutoff and the credit score cutoff are hard cutoffs or if the presence of a guarantee can allow those to be relaxed at all.

MR. KEEFER: Okay, yes. Exactly, that's why we've set up the guarantee program, because there's instances where PATF -- they are hard cutoffs. So we go, PATF would then guarantee it. We would still do the loan.

And they have reasons why they want to do it. And they are more educated about credit. So they know what decision they're making. And sometimes they don't.

The last thing you want to do as a lender, because 99 percent of people want to pay the money back, everybody. It should add to their psychic well-being. And when they can't pay it back, they feel bad and we feel bad.

So, if everybody lent money that way, it would be a good thing. That's really the essence of it.

MEMBER LEVERE: Tom.

MR. FOLEY: As far as the unbanked, it's all the usual and plus a few more. So, you know, to an earlier point, we know that low income and poverty is going to be one of the things. And people with disabilities kind of win that one as far as low income and poverty goes.

In addition to that, we've heard, you know, I don't trust a bank. I don't make enough money for a bank to care about me. I don't make enough money to have a bank account.

And then, in addition to that, there is still a lot of discrimination out there, you know. Johnny is blind. He'll never manage his own money. I'll just do it for him. So and so has some sort of developmental disability, so they don't need a bank account. I will do that for them.

And tied up in those last two pieces are some pretty complicated family dynamics and socioeconomic dynamics and independent issues. You know, sometimes they can be completely overcome and sometimes not so much.

MEMBER LEVERE: Thank you.

MS. BARRERA: Hi, Janie Barrera with

LiftFund. And we're a non-profit lender but for small businesses.

And so my question really is for PATF to Susan. I mean, where are you getting your grant money to be able to have this guarantee? I mean, that's hard money to be able to raise.

MS. TACHAU: Well, three areas. And to answer your question, Patricia, we will, a traditional lender really they don't like those zero credit scores. We happen to love them.

So we will guarantee a loan using their money. But then that means our credit scores and our debt to income can be at anything. So, as long as we determine they can repay the loan, we will extend it.

So we were funded originally under the Assistive Technology Act, the federal Assistive Technology Act. And there have been a few grant opportunities in the last couple of years. And we hope to have future ones.

Every state can have one alternative financing program. And we are it for

Pennsylvania. So we applied for a grant. And there are no guidelines as to how to spend that money. So, initially -- which is my favorite kind of money --

(Laughter.)

MS. TACHAU: So, originally, we set that up, and that's how we started leveraging money.

We are also a direct lender for $100 to $1,500 at zero percent. And I'm getting that money from the CDFI fund. So we are one of the few alternative financing programs that are also a CDFI.

And then lastly, and, you know, Andrea can attest, I feel passionate about what we do, which makes me a good lobbyist. And so we are the only alternative financing program that I have convinced the General Assembly of Pennsylvania to give us an appropriation every year to do what we would like to do.

And we use those monies to guarantee so that our portfolio is just around 36 million.

And we've given out, we've helped over 3,000 Pennsylvanians.

MS. BARRERA: So that answers, my next question was going to be in terms of since the banks are regulated and the cutoff FICO score is 600, you, as the not-for-profit, don't have to worry about the FICO score. So --

MS. TACHAU: Right.

MS. BARRERA: -- I would encourage you to get more of your own portfolio going to help the folks and continue to partner. That's a great --

MS. TACHAU: Right.

MS. BARRERA: -- great concept. Thank you.

MEMBER CISNEROS: Hi. Jose Cisneros, San Francisco Treasurer. I'm very excited about what we're talking about today. This is great and, obviously, really important work for a very important community.

I wanted to spend a couple of minutes talking about the arrival of the exciting new

ABLE accounts. Fantastic. Having somewhere for people to keep their money in a way that doesn't bump them up against financial thresholds is incredible.

But I do have a couple of concerns when it comes to that. I know it was important to get the ABLE accounts created through Congress. And a key part of that was using the 529 college savings account platform.

But there are some very significant differences between saving for college for 10, 12, or more years and putting money in an ABLE account, which is money you might need in 1 to 2 years.

Certainly, any of us in this room know that any money you need in the short-term you don't want to put your principal at risk. But these 529 companies make profit off people putting their money into equity accounts, which are lucrative for them.

I think it's important that we continue to work with the community to steer them towards the right places to invest their money.

And the challenge there is that these, again, these often times remote, long-distance 529 platforms that are being used for the ABLE accounts are exactly that. They're remote. They're pretty much entirely interactive with online. There's not local bank branch access to them necessarily.

I haven't reviewed how the 20-some states you said that have created ABLE accounts, how many of them are involving an actual brick-and-mortar branch system into the accounts.

But certainly, for low income families, what we've found is that can be a real challenge, if not an actual deal breaker, that if they can't walk into a bank branch, if they can't handle transactions in cash, if they can't have a simple, easy way to open an account, then they're not going to go anywhere.

So I have a number of concerns. And I would love to work with you, especially since we're neighbors in the Bay Area, to figure out how we can get people access to these ABLE accounts that are so important, but I think going to be challenging.

MEMBER BOSTON: I should mention that they are -- by the way, I think ABLE accounts are fantastic. There are some banks who are in the business.

MEMBER CISNEROS: That's great.

MEMBER BOSTON: And, in fact, I think one of those came with us last year. But I also think this is another opportunity for the banks themselves.

I mean, if you think about having billions of dollars, we were just talking about, you know, America's not saving enough, some of these accounts are going to have a lot of money in them that banks could use to replace assets that they're losing now, because these people will be saving.

And I think the asset threshold is really a big thing, because that $2,000 threshold, it's not only people who are disabled who lose their benefits. It's almost any American who gets any benefit.

That's why Americans aren't saving. They've been taught not to save by the federal government, because they say, if you do save, you can't never get out of poverty. It's harder, I should say, to get out of poverty as long as you have that restriction.

So I think that this is a huge opportunity for more banks. But there are some banks participating.

MEMBER CISNEROS: And, Kelvin, I completely understand that and agree with that. But my understanding of the way these state-run programs get set up is the state has to invite the bank to be part of it. A bank just can't opt --

MEMBER BOSTON: Oh, yes, I agree.

MEMBER CISNEROS: -- themselves into a state's ABLE account program or its 529 program. This has to be --

MEMBER BOSTON: Yes.

MEMBER CISNEROS: -- something we educate our state administrators with. So let's get on this one.

MR. FOLEY: Look forward to that. And, you know, the good news is for most of the programs out there there's at least one FDI-insured option under that investment portfolio for more of a transitional, transactional account.

But, boy, have we heard exactly what you said. We want to go down to the BankOn the corner and put money in it.

MEMBER CISNEROS: And you talk about the large incidence of low income households in this community.

MR. FOLEY: Yes.

MEMBER CISNEROS: That's going to be a deal breaker.

MR. FOLEY: Yes.

MEMBER CISNEROS: Thank you.

MR. STOKES: Well, thank you.

(Simultaneous speaking.)

(Applause.)

(Off mic comments.)

MR. STOKES: We'll take a short break and then --

(Laughter.)

(Whereupon, the above entitled matter went off the record at 2:17 p.m. and resumed at 2:29 p.m.)

MR. ERNST: Mr. Chairman and members of the committee, I think we have a very interesting crew in town for the day. Just to remind you, at the last meeting we shared a message for evaluating residential neighborhood's relative access to bank branches.

We received a lot of positive comments from the committee, as well as some questions. On the positive side, committee members thought that moving beyond metrics that merely evaluate whether a census tract has a branch inside of its boundaries was a good idea.

We heard examples of bank branches located across the street from a low income census tract that received no recognition of its service to the low income residents in the area.

In terms of questions, we heard from the committee that it was unsure whether the method would be appropriate to apply in its current form to rural areas.

But we also heard that there was real value in applying the method to urban areas and were asked what more the FDIC could do to provide insight along these lines.

In response, Kris Rengert has continued to work on developing his analysis with support from DCP analysts, Michael Bachmann and Sarah Campbell.

It's our hope that today's presentation, which asks about vulnerable residents population's access to bank branches across all urban areas in the United States, is responsive to the interest expressed by the committee.

Following Kris's presentation, we'll look forward to your feedback and suggestions for how we might move forward from here. Thank you. Kris?

MR. RENGERT: Thanks, Keith. Can I have the clicker, please? Thank you. All right. So there we go.

So we're following up on our conversation from April where I presented the locally defined distance threshold or LDT and compared it to other strategies and demonstrated how it might be used using the city of Chicago as an example. So we talked a lot about Chicago.

And the committee gave a lot of feedback, largely positive. And we received feedback from other groups and individuals as well as we presented the LDT and have continued to work with the measure and are back today to discuss its application more broadly across the metropolitan United States, as well as, in particular, other MSAs, and to consider how we might disseminate the LDT and encourage its use by other researchers and organizations working to improve access to bank branches.

So, to recap the motivation for the research, although the number of branches has been declining in recent years, the household survey demonstrates that consumer use of bank branches remains high, particularly among certain groups of consumers.

And these include lower income consumers, adults with lower educational attainment, and older consumers, who are all more likely to use bank branches as their primary methods to access their bank accounts.

So researchers at the FDIC developed the LDT to identify areas, areas being census tracts, with lower access to bank branches relative to other areas within the same metropolitan area.

So I'm just going to recap quickly what this tool is as a reminder. But I won't spend a lot of time on it.

The LDT is calculated by measuring the distance between the population-weighted centroid, or the census tract, and the nearest bank branch.

The census tracts within the area, metropolitan area, are then ranked. They're listed in rank order by that distance from shortest to longest, from tracts that have a bank branch the most close to their centroid to the one that has the closest bank branch the farthest from their centroid.

And we can identify the distance at which 75 percent of the cumulative population can find at least one bank branch. That distance is the LDT.

Census tracts that have zero bank branches within that distance are identified as very low access tracts. And those that have exactly one bank branch within that distance are identified as low access tracts. And they're of particular concern because they're at risk of having that bank branch close and then having no bank branches, for instance.

In April, we applied the LDT to the city of Chicago. And we worked through a number of maps that look like this. Actually, you'll recall the tracts in red indicate zero branches or very low access tracts. Those in orange have exactly one branch within the distance.

So we've developed the LDT distances for over 1,100 different areas across the United States, including central and outlying counties of metropolitan areas and metropolitan divisions, as well as micropolitan areas.

The distances for central counties of metropolitan areas range from the New York/New Jersey/White Plains area at .45 miles, so less than a half a mile, so 75 percent of the population of the central counties of that metropolitan area have at least one bank branch within .45 miles of their centroid, to the farthest distance is the central counties of Flagstaff, Arizona at 6.73 miles.

The majority of MSA components, I'll say -- so again, we're looking at the central counties of MSAs distinct from the outlying counties, different distances calculated for each. The great majority have LDTs of under two miles.

Physical proximity to bank branches has a different importance for different groups of consumers, as I think we understand.

Mobility is very important, as we talked about in April. We used a map looking at access to private automobile. Proximity is going to be more important for those who do not have access to a private automobile, for instance, than those who are relying on walking or public transportation or other means.

And additionally, there's, particular groups of consumers are, as we know, more likely to rely on bank branches as their primary method of accessing their bank accounts. So, for those types of consumers, proximity is going to be especially important as well.

And the household survey asks heads of households to identify their primary method of accessing bank accounts. And in 2015, we heard that lower income consumers, adults with lower educational attainment, older populations, and Spanish-speaking populations were among those most likely to report using bank tellers as their primary method for accessing bank accounts. So we've tried to center that.

Here we see the degree to which consumers across different income levels indicated that bank tellers were their primary method for accessing bank accounts.

Across all households, 28.2 percent of heads of household indicate that using bank tellers was their primary method of accessing their bank account. Whereas, this figure was over 40 percent for all households with income of under $30,000 as the first two blue bars.

So the blue bars are the households of, ranging across whatever variable we're looking at. The green bars are just a reminder for all households what the level is.

Looking at educational attainment, we see that for heads of household with less than a high school diploma, over 50 percent indicated that bank tellers are their primary method for accessing bank accounts.

Looking at age, nearly half of heads of household over age 65 reported using bank tellers. Same with Spanish-only speaking households, nearly 50 percent report being reliant on bank tellers.

So what we do with this is we use census data to identify census tracts where populations likely to be reliant on bank tellers to access their bank accounts are concentrated. And then we also use LMI tracts as identified by the FFIEC to indicate tracts where lower income households are concentrated.

In addition to the population groups identified as being reliant on bank tellers, the 2015 household survey also indicated that black and Hispanic households are substantially more likely to be, to report being unbanked or underbanked than other groups.

So we also identify tracts with high shares of the population that are non-Hispanic, black, or Hispanic and, as well as that is minority, including all racial and ethnic groups other than non-Hispanic white. And we identify that as a characteristic of interest as well.

And what we do is, there we go, we identify the 75th percentile looking at all metropolitan tracts. We are only looking at metropolitan tracts, both for these variables as well as for lower access for applying this tool, the LDT.

We identify the 75th percentile for each of these variables and basically flag tracts that are above the 75th percentile as being of particular interest.

So the way to read this table and to think about what we're going to talk about, for the first row of share of adults with less than a high school diploma, the 75th percentile of tracts comes in at 21 percent, which means that 25 percent, the highest 25 percent of metropolitan census tracts across the country, at least 21 percent of the adult population has not earned their high school diploma.

So 21 percent and higher, those would be our areas of interest, particularly as they intersect with tracts that have lower access to bank branches.

We also add a ninth indicator, which flags any tract that has at least one of the other indicators. So we sort of merge them all together.

So, looking across the most populous MSAs in each of the four census regions, as well as the combined populations of all metropolitan regions, which is the bottom row, all MSAs, we see here the size of the populations in each area that emerges as having very low access to bank branches. That would be the VLA. Those are the populations in each MSA and across all MSAs that do not have even one bank branch within their reasonable distance.

The next row is those with exactly one low access tracts. Then there's LMI, at least one of the indicators.

And then the final column is at least one indicator plus VLA. So this is the intersection of tracts that are above the 75th percentile in one of the indicators that we talked about earlier and also have zero branches within their reasonable distance.

So we see circled in red over 30 million people across the metropolitan United States reside in tracts with concentrations of at least one of our population groups flagged as being vulnerable to low access to bank branches and have lower access to bank branches, so that unfortunate intersection.

Here we see those numbers expressed as shares so that, you know, 30 million-plus people comes in at 11.6 percent of the metropolitan population as both has lower access to bank branches and is in a tract that has concentrations of vulnerable populations.

Interesting is, in addition to that overall number, that overall share, is the degree to which this measure varies across metropolitan areas. So this sort of accentuates why it's important to look at particular areas and not just aggregated numbers.

So Los Angeles comes in at 20 percent. Twenty percent of the population of the Los Angeles metropolitan area lives in a tract that both has lower access to bank branches and concentrations of vulnerable populations. Whereas, the Chicago MSA, on the other side, is at 9.2 percent.

Of course, if we look at our 1,100 areas, there would be a lot of other areas. This is just looking across some of the largest MSAs.

In this slide, we focus on the intersection of our two measures of lower branch access with LMI tracts and with tracts with at least one indicator of vulnerability. So we're adding in the LMI piece.

So there's the name of the MSA. There's the total population of the MSA. And then there's the intersection of lower access, so exactly one bank branch within the reasonable distance intersected with LMI tract, the share of the population.

The next one is the intersection of the very low access or zero branches within the distance and LMI. And then the last, the two right-most columns are looking at the tracts that have at least one of those indicators.

And I'm circling in red just as our, you know, to give us primary interest. So, if we add those together, looking across all MSAs in the country, that shows that just over 21 percent of the population across the metropolitan tracts lives in tracts with both lower access to bank branches and having concentrations of vulnerable populations. This is over 55 million people in the metropolitan U.S.

So we'll turn now to looking at how these tracts and their populations are distributed across particular metropolitan areas, because this is at least as important as knowing how many people we're talking about is where people are. It's essential if we're going to be able to target our efforts and target our resources to improving access.

So, moving past Chicago, which we talked about a lot in April, here we're looking at the Atlanta MSA. And just this is sort of a reminder of the symbology. So the gray tracts indicate tracts that are, if you will, not of interest. The red tracts continue to indicate very low access tracts with zero branches within the LDT. And the orange is exactly one branch within the LDT.

When we looked at Chicago, we were just looking at the central city of Chicago. So now we're stepping back, and we're looking at the entire metropolitan area. So there's a little bit more going on here.

So the metropolitan area of Atlanta has central counties and outlying counties as we talked about. The blue thick lines around counties indicate the central counties of the Atlanta MSA. Whereas, the farther out counties that are shaded but that are outlined in black, those are the outlying counties of the Atlanta MSA.

And we calculated a different LDT for the central counties as for the outlying counties. The central counties have an LDT of 1.6 miles.

And the outlying counties have an LDT of 4.7 miles, so indicating just at that 75 percent measure there's, branches tend to be much closer in proximity to census tract centroids in the central counties at 1.6 miles and in the outlying counties at 4.7 miles, which stands to reason if we think about how populations and other resources like bank branches are distributed in central areas and outlying areas.

Overall, we see that just over 30 percent of the population of Atlanta's MSA lives in a lower access tract. And sort of thinking spatially, there's a bit of a doughnut pattern with tracts closer to the city of Atlanta.

The city of Atlanta is indicated in that teal shading. And we'll see the same set of symbols as we look across different MSAs. But that's the central city.

And then we can see the tract closer to the central city, especially on the northern side, seem less likely to have the lower access to bank branches.

This is a reminder, which we talked about a bit when we were looking at Chicago. This is what it would look like if we mapped the, sort of the often used measure of neighborhood access of if there was no branch in the tract. So this is forgetting LDT. This is just identifying all the tracts in the Atlanta MSA that don't have any branches in the tract.

We would show that 55 percent of the population of the MSA doesn't have access. But, in fact, over 25 percent of the population in tracts with no bank branches have a branch within one mile of them. They're just on the other side of the tract, on the other side of the boundary, similar to what we talked about in Chicago. It's not just Chicago, as you know.

MEMBER LEVERE: T-R-A-C-K.

MR. RENGERT: Tract.

MEMBER LEVERE: That was a joke.

MR. RENGERT: Tract.

(Laughter.)

MR. RENGERT: All right. So, again, 55 percent of the Atlanta MSA doesn't have a branch in their tract. The majority, compared to about 20 percent of the population of the Atlanta MSA doesn't have a bank branch within the LDT of its tract. It's a much more finely tuned strategy for looking at levels of branch access.

But what we're really particularly interested in is identifying communities or areas with lower access to bank branches but also where there are concentrations of populations that rely on bank branches to access their bank accounts.

So here we see the intersection of lower access tracts with low and moderate income tracts, LMI tracts. And we see that, you know, it's a much smaller share of the population. 6.4 percent of the population is, both lives in tracts that both have lower access to bank branches and are LMI. Most of the tracts and most of the population have dropped out.

And here we see the intersection of branches with, of tracts with lower access to bank branches with tracts where, with concentrations of populations where at least 21 percent of the adult population has not earned their high school diploma. This is a slightly smaller share of the population than in the, than when we saw the intersection with low and moderate income.

But what's of particular interest, especially if we're looking at how to target resources and target efforts, is you can see there's spatial clustering. You can see there's particular areas that are jumping out as, you know, here's where there's populations that have lower access to bank branches and lower levels of education.

If you're an organization that's interested particularly in working with populations that would be thusly characterized, this is where you should look.

Here we see the intersection with concentrations of populations age 65 and older. Again, you can think of organizations that would be interested in working with these populations.

It's a small group. It's less than one percent. .8 percent of the population of Atlanta lives in these tracts. So it doesn't jump out as being necessarily a huge problem as compared to like the intersection with LMI for Atlanta.

But we're going to look at other MSAs, and we'll see that in other MSAs it's different. Different MSAs emerge as having different patterns, different types of populations that jump out as needing attention.

And finally, here we see the intersection of lower access tracts with tracts with concentrations of populations that speak English at home and doesn't speak English well. It's a long variable name. But here we have, it's 4.2 percent of the population resides in these tracts.

And there's some clustering. But it seems a bit scattered as well. It's sort of hard to figure out what to do with this. But when we look at other MSAs, we'll see something very different emerge.

So, if we turn to the Philadelphia metropolitan area, the pattern here is different. So, again, remember the same sort of symbology.

We have four different metropolitan divisions here. There's the Philadelphia, the central Philadelphia. There's suburban Philadelphia, three tracts in suburban Philadelphia. There's New Jersey around Camden. And then there's the Wilmington metropolitan division, each of which has their own LDT calculated.

Philadelphia doesn't have central and outlying counties. They're all central. So we don't see the blue outlines that we saw before. But we see our three principal cities of

Philadelphia, Wilmington, and Camden are outlined in teal, though it's a bit harder to see on this map.

Overall, about 38 percent of the population of this MSA lives in lower access tracts. The pattern here is different. We saw something of a doughnut pattern in Atlanta. Here a substantial number of tracts in the principal cities, in all three principal cities, show up as having lower access.

So something different is going on in Philadelphia than was going on in Atlanta with regard to levels of access to bank branches for different types of, for census tracts within central cities and outside of central cities.

If we look at the intersection of lower access tracts and LMI tracts, we once again, you know, see a huge focusing where, you know, I mean, 401 middle and upper income tracts with lower access to bank branches drop out from the map because they're not lower laddered income.

It's a bit hard to see on this map just because of the density of the tracts in the central cities. But distinct from what we saw in Atlanta, there are significant clusters of tracts or significant numbers and clusters of tracts in the central cities of Philadelphia and Camden, which probably doesn't surprise many folks, that are both low and moderate income and have lower access to bank branches.

So distinct from Atlanta, here we see the intersection of lower access tracts with tracts with high concentrations of population age 65 and above. So here we have almost eight percent of the population of this MSA is in a tract with lower access to branches and concentrations of the population age 65 and above. It was less than one percent in Atlanta.

So Philadelphia is facing a very different pattern in terms of their particular demographics of folks with lower access.

We turn now to the Dallas metropolitan area. So here we have two metropolitan divisions, Dallas and Fort Worth, each of which has central and outlying counties.

So we see the blue outlined counties are central counties of their respective metropolitan divisions. And the black outlined counties are the outlying counties, which means that we have four different distances calculated, four different LDTs, one for the central county of Dallas and the outlying counties of Dallas, one for the central counties of Fort Worth and the outlying counties of Fort Worth.

31.7 percent of the overall population lives in lower access tracts. They seem to be somewhat concentrated in the southern part of the MSA, although certainly not exclusively.

If we look at the intersection of lower access tracts with LMI tracts, again, it's a huge focus. So, if we're, as would generally be the case, if we're particularly interested in making, in increasing access to bank branches for lower income populations, this is a useful tool. 11.8 percent of the population lives in these tracts with this intersection.

We see significant clustering, especially in and emerging sort of radially out of the southern portion of the central city of Dallas, which is the central city on the right.

Again, drawing a distinction from what we saw in Atlanta, here we see the intersection of lower access tracts with tracts with concentrations of the population that speaks Spanish at home and does not speak English well. 15.1 of the population of the Dallas metro area lives in these types of tracts.

A similar clustering as we saw with the LMI population happens here where there's a significant clustering sort of emerging out of the southern part of the central city of Dallas.

So, turning back to this slide, considering lower access tracts and their intersections with concentrations of populations vulnerable to lower access to bank branches, just over 21 percent, 9.5 plus 11.6 circled in red, just over 21 percent of the population lives in tracts with both lower access to bank branches and with concentrations of populations having at least one indicator of vulnerability to lower access.

So this is, again, this is over 55 million people. And we've seen how the particular characteristics of populations vulnerable to lack of access varies from MSA to MSA and across different areas of MSAs. So, in terms of a tool for targeting resources and attention, it's useful.

In some areas, the lack of access may be particularly problematic for populations age 65 and above and others it may be for Spanish-speaking households and others it may be for lower education households and so on.

A tool like this is necessary to identify that and we believe is useful for organizations looking to improve access and improve outreach. We see the LDT as an analytically rigorous starting point for identifying areas of interest in this regard.

Here we've identified how we can use this tool with readily available census data. We can do this for any metropolitan area in the country. It's relatively easy to do because the census provides this data.

But there's other opportunities for how to use this, particularly with locally available data and partnering with organizations in local areas that might have particular insight. Why is one area emerging as being of interest? What's going on in that area? We wouldn't know sitting in D.C. looking at census data.

But, as you partner with organizations or as we'll talk about, and make this tool available to others who are working in local areas, we believe this will add a lot more power and make this much more useful in working with access issues.

So that's the point we're at now and where we'd like to engage with the committee. We're exploring how best to disseminate the methodology and the data associated with the LDT. We have initial strategies that we think are worth exploring. But we look forward to your insights into how that might best be done or other ideas that we haven't thought of that you might have.

So one thought that's been discussed a bit before would be to develop web-based applications or to share both maps that we could create or that users could create on the fly, but also to share the data so that they could do with what makes sense with them in whatever platforms they may already have, but to make the data available for all MSAs, for all of the different components of MSAs across the country.

To investigate different spatial clusters that emerge, again, bringing in locally available data, working with local partners to figure out exactly what is going on in particular places and what the appropriate interventions would be, if any.

And basically, I'll just toss it out.

And we'd love to engage and get your thoughts on ---

MR. ERNST: And just before I do that, I just want to call attention to the last point, because I think also valuable is to recognize that while we're calling attention to a lack of access to bank branches for populations who specifically say the teller has been an important mechanism for them, we recognize that there may be multiple strategies that could be used to serve vulnerable populations.

And so thinking about what those may be and how they can be deployed with respect to different populations I think is an important part of this inquiry as well.

And so, with that, I think we really will throw open the floor and invite your comments, your questions, and suggestions.

I saw Bob and then Ted. And then I'm going to go over here and see Bruce, Pat, and Andrea. And we'll go from there.

MEMBER ANNIBALE: Great. Thank you.

And this is a great follow-up to the research you presented us before. And I think it's really interesting.

And many of us are trying to look at what we call near-to branches, you know, the reality being of how and where people come and go from as well. Are you near the subway station?

I mean, again, how you link this to transport is very important. And I was thinking almost in an urban context. But I think distances are all relative to density and transport.

I think also I was just, you know, in the outside, in the countryside in the U.K. the other day. And it reminds me here of an elderly friend who always carried quarters with her looking, because she, in case she has to make a call when she comes to New York from ---

(Laughter.)

MEMBER ANNIBALE: I finally just got her a mobile that's on my account, because I realized there are no phone booths anymore.

And you could --- and I'm sure the same argument could be made is we should put a lot more phone booths in places because we made, many are more comfortable and familiar with it. But they just aren't going to exist anymore.

That's not the same for branches. But I do think in some level the reality is we have to look at transport. We have to look at access to --- and the digital divide is an important divide as much as distance can be sometimes.

But I think this research is really helpful. And I hope that you'll do it with the other agencies, too.

So, as we look at how do we plan branches that are hubs and spokes, where does the density or transport make a difference, where is the mobile, filling that gap and where isn't it, we could have much better discussions than in the past where literally if it's on this side of the street, it's relative and important for LMI, if it's that side of the street in the way in CRA it's counted, it's not. And I think this is very, very useful research.

MR. RENGERT: Great. Thank you. Ted.

MEMBER BECK: A couple of things I'm sure you've thought of, but when I look at this information, the first thing that popped into my head is this is great information for banks to look at where they are.

But I would also think it's, I can envision certain high energy city treasurers wanting to have this information in their negotiations so they're equally informed about what could be done for their population, not suggesting anything.

But then also, and this is the impossible dream request, if you had data like this and overlaid it with availability of safe accounts from earlier, now that might be a bridge too far just from a research point of view.

But if you could show that where, you know, where are the deserts on access to safe accounts, where there are branches, and then have that same encouraging discussion about there's an opportunity here.

MR. ERNST: We always appreciate the committee keeping us fully engaged.

MEMBER BECK: I believe you. There's a great future for research at the FDIC. I'm doing all I can.

MR. ERNST: Bruce --

MEMBER MURPHY: As I said the last time, this is a decision support tool. And, you know, frankly as we talk about branch optimization in our company, we happen to have, and out of our corporate responsibility to you, we are on the committee that decides the opening and closing of branches.

So we talk specifically, from our perspective, community intensity. You know, so we'll look at all the financials. You look at the production in these communities. But then you really have to go beyond just the raw numbers. And you really have to begin to take other things into account.

And so what this does, from my

perspective, is it gives a level of data that you typically don't find in that decision-making process.

I have a lot of data on where our clients are coming from, the profile of those clients, what's the distance from where they are to where are our branches. We have all the data in the world.

But when we start to break this down to a more finer perspective about transportation hubs, you start to have a different dialogue.

And so, from my perspective, this is an important overlap, and I frankly want to engage our team to open the aperture, if you will, to think about how best you can leverage this information to have more insightful decisions.

We're going to have debates, you know, across the board from our advocacy friends as we should have. But the reality is, you know, you want to make the best decision possible.

I don't always look for agreement. I

look for understanding. And this is an opportunity to create a little more insight and understanding. So this is excellent work and work that I want to find a way to engage.

MR. RENGERT: Great. Thank you. We'll look for that opportunity, too. Pat.

MEMBER McCOY: Thank you. This is really a powerful extension of your earlier research. And I really applaud it.

And this last slide is really important. I would strongly encourage you, first of all, to develop the web-based applications to generate maps online, but in addition, to make the data set publicly available.

There are going to be, in the larger United States, all sorts of researchers who will do very interesting data matches with local data sets. And sometimes it will shed light on the question of branching and branch availability.

But sometimes it will actually shed light on a completely different social issue where people would be interested in the ability of branches to provide, let's say, financial education to populations and things like that.

And you can leverage the fine resources of the FDIC's researchers by providing that data set to the ---

MR. ERNST: All right. Thank you, Pat. Andrea.

MEMBER LEVERE: You set me up perfectly. For the first very straightforward thing is that we should do a webinar on this. I'm happy to host a webinar. I'm sure others are to whole prosperity in our community.

This is obviously something we can link to the scorecard. So we should just, in our meeting on Friday, figure this out.

But your point, my other thought immediately was tax time and how we think about in the management of the taxpayer opportunity network we now have 1,600 members all over the country. And a huge focus of that is how we use that as a platform to get people banked and to get them saving.

And so how we look at the connection between where branches are and where people who want that service are and tax time is I think one of those connections that can give kind of more short-term results. So we should talk about that.

MR. RENGERT: All right. Thank you. I appreciate that.

MEMBER CISNEROS: Yes, excellent work. Thank you very much. I agree with everybody else. The more publicly available this information is and easier to engage with the better obviously.

I can see, you know, small community groups just looking up their neighborhood or their part of town, you know, the places they had coverage and wanting to explore, you know, what the tradeoffs are and what the differences are and then coming to us city leaders and others to, you know, put pressure on our financial institutions. So, great, thank you.

Quick question, are credit union

locations included?

MR. RENGERT: They're not.

MEMBER CISNEROS: I would imagine they're not. Could they be --

MR. RENGERT: They could be, yes.

MEMBER CISNEROS: -- would be, of course, my next question --

MR. RENGERT: Yes.

MEMBER CISNEROS: -- because I think, you know, we certainly see credit unions as extremely valuable and a viable alternative, if not sometimes a preference in some ways. So I think, again, to really get a comprehensive picture we'd want to see them as well.

MR. ERNST: And would you distinguish between --- and I'm not sure if we could or if the data is available --- between credit unions with a geographic membership and those without?

MEMBER CISNEROS: Sure. Obviously, that would be --- you mean ones that are open as opposed to ones that are specific to one community or another, yes, because obviously the ones that are open to everybody are going to be the most useful.

MS. BARRERA: In light of the information that you have on the Latino community, I would recommend reaching out to NALCAB, the National Association of Credit Asset Builders.

And they're having a conference this coming January or February where a presentation to the group would be super, and because they, it's a membership organization who goes out back home, right, to tell that story.

MR. ERNST: We're signing Kris up for a frequent flyer mileage card now.

(Laughter.)

MEMBER BARR: This is really following up on your invitation, Keith, and Bob's comment about thinking about the non-branch implications of the research.

So whatever happens in the branch network, obviously the world of finance is changing rapidly. And people are using access in different ways. And the techniques you use in that context may, it may be possible to think about them in a geographically focused way.

So instead of focusing, you're focusing on the absence of a bank branch, but use that as an opportunity for thinking about what alternative institutions either are there or what techniques might be built.

You know, maybe if you're trying to work in an area with low bank branch access and high vulnerability, there is a strong, you know, church network. Or it may be that there's a localized app that will help people, you know, bridge the gap.

It's not going to come directly out of the data. But I would encourage the team to think about a brainstorming session around how to use the geographic data for non-geographic or non-bank branch solutions for the problem.

MR. ERNST: All right. Thanks. And we've heard also about connecting back to some things that would be geographically connected like transportation networks.

MEMBER BARR: Right.

MR. ERNST: And I imagine we could talk about availability of broadband access as well as another dimension that could be ---

MEMBER BARR: Yes.

MR. ERNST: Thank you.

MR. RENGERT: There's a number of data sets like that. So like public transportation, when we talked about Chicago, there's readily available data online that we can grab and overlay on the map showing where the Metro stops are and where the bus stops are and so on.

And some other metropolitan areas will have that readily available. Others won't. So we can't, you know, do what we do with census data and say, you know, here's the whole country. This is where sort of partnering locally and working with ---

MEMBER ANNIBALE: And rural areas you may have to look at what's the distance to the post office as a surrogate, what's the distance to, you know, the school districts. I guess the sense of spatial ---

MR. RENGERT: Right.

MEMBER ANNIBALE: -- dimension is so different. I was just in South Dakota, and you drive forever to find anything, you know, a gas station, water.

(Laughter.)

MEMBER ANNIBALE: You know, so ---

PARTICIPANT: I can't imagine you somehow driving in South Dakota at all.

MEMBER ANNIBALE: It's a dead city, straight in from London. So it was, you know, I think that as we get this sense of spatial, I mean, to me, it was overwhelming, the gaps. But that was normal to everybody there.

MR. ERNST: And we said at the beginning very quickly, but I think rural is one dimension that we've not talked about today. And it's an area where we, I think for many of the reasons you've just highlighted, where space really is a very different concept. It's a little bit, going to require a little bit more thinking for us to send the best analysis.

Janie, I've got you and then Mark.

MS. BARRERA: Well, I was just going to, quick on that, you know, Woodforest Bank is located inside Walmarts. Did you take them into consideration into this?

MR. RENGERT: Yes.

MR. ERNST: Yes.

MS. BARRERA: Yes, okay, because I mean, that's, I mean, where everybody goes as well. So ---

MR. RENGERT: This data uses freestanding brick and mortar branches in grocery stores and Walmarts and so on, as well as drive-through branches.

MS. BARRERA: Thank you.

MR. RENGERT: So those are the three groups that were used.

MR. ERNST: All right. Thank you. Martin?

MEMBER EAKES: So I have two

questions. The first one is maybe beyond your scope. But when I think about a bank branch or a credit union branch, there's both the need and also the viability.

And so people are saying, well, this is where we need one, and it's not viable. And I'm not sure we can measure. But, you know, there's no financial institution that really can support a branch solely on transactions. I mean, they just can't do that. They either have to have loan volume that produces some income, or they have to have a deposit base that gives them some earning capability.

So I don't know whether there's a way to overlay or exactly what the criteria would be. But I often say when I'm trying to find a branch, I'd love to have out one door of the branch this very wealthy depositor base that can help us have enough funds that we can then lend and out the other side of the branch a community or expansive need where we can serve with those deposits.

So I worry --- well, I think it would

be really helpful. But I'm not sure how to do it exactly, whether it is looking at wealth data, which would be available by census tract, maybe by income data, which is certainly available by tract, but some sort of intersection of viability and need would be, if we really want to have communities put, and induce banks to say that this is a opportunity, those two factors are pretty equal.

And then the second one for me is I just keep -- number one, this was terrific. But it's so much. You know, for someone who's not quite as quick as you guys are, it's really just, it's hard for me to absorb the consequences.

So you should take more time whenever you have a presentation, get I think --- like I'm really grappling with the 75 percent LDT. There's something about that that I can't quite put my finger on.

But when you have a really dense, so you're really in a single county and you've got a very dense set of census tracts, but you're only using one number for that 75 percent LDT, it seems like to me that it's going to have a bias towards less, it's going to show the less dense census tracts within that county as being underserved because of the distance from its, just the density factor because you're using an average, if I'm understanding it right.

That's where the 75 percent LDT is a very powerful concept. But there's something about it that seems distorting to me between center city density and just the bigger census blocks that we've got here. But is that wrong?

MR. RENGERT: So two quick responses, one that deals with that a little bit is that in --- I didn't talk about it here. I talked about it in April and, understandable, that was a long time ago.

But it's not just the distance, but it's also any tract that has a branch within its borders, even if that --- so some tracts are large. So, if we're looking at New York, for instance, with the central counties of an LDT of

.45 miles, which is not very far, you could have a large tract that's well over a mile across.

You could have a bank branch within that tract that's more than .45 miles from the centroid. We would still count that as being accessible to that tract because it's actually in the tract, even though it's farther than the LDT from the centroid.

So that addresses a bit of that concern with the large tracts. But on the other, the more broad point that you're making, that's absolutely the case. But what we would argue is that this tool takes us a lot farther towards a more accurate representation of local areas.

So what was there in the, absent this sort of a thing is researchers doing things like saying, well, we'll either look at is there a branch in the tract, in which case it's served, or there isn't a branch, in which case it's not served.

Or some of the more refined research will do something like say we're going to look across this entire state, and two miles is our distance. Or we'll look across the entire country, and two miles is our distance.

The point you just made is, you know, all the more strong of a critique against those large areas taking one number.

By looking at components, the central counties as one entity and the outlying counties as another entity of a metropolitan area and coming up with one number for each of those, yes, there's still a bit of bias in that you're going to, depending on how the branches are distributed the larger tracts, which tend to be on the outskirts of any given area, are all other things being equal going to be more likely to not be considered having access to a bank branch. But it's a huge improvement over a statewide number or a nationwide number.

MR. ERNST: And I think the other thing that mitigates some of the risk you're highlighting is, remember, at the end of the day I think what's going to be interesting is where you have clusters of areas where you see a relative lack of access.

And so, if you think there may be tracts that are going to be sort of affected by this sort of phenomenon, but if you keep in mind at the end of the day, you know, people are going to be thinking in very practical terms about what can we do in this community, where do we see clusters of opportunity, I think that sort of an effect can counter some of what you're pointing to.

And I think largely it's a tradeoff. You know, we've taken one step. Kris described about how local distances are calculated differently for central counties than for non-central counties.

You could keep carrying that logic forward. At some point, it becomes harder to explain, even harder to interpret, and even harder to get a handle on what your results mean.

You can sort of continue that logic, or you can do as Kris is suggesting here and say this method is highlighting something important. And when we look at the results and the aggregate, you know, wisdom that we take away from this, is the insight useful?

And I think looking at the maps a little bit the proof is in the pudding. Especially when you're talking with local groups who are going to have a good awareness of the communities you're highlighting and be able to reality test the results and give their insights, you're going to find that it is useful and add value. That's our hope.

MEMBER EAKES: Did you intentionally not do examples that overlay with African American census tracts or ---

MR. RENGERT: No, that was not. And we could have done that, and they would be large areas. That would certainly have emerged.

(Simultaneous speaking.)

MR. RENGERT: Part of the --

MEMBER EAKES: I remember we used to do the sort of predatory lending maps. It was such a visual correlation ---

MR. RENGERT: Yes.

MEMBER EAKES: -- but I'm sort of betting that we're going to have, at least in Chicago where I know we're going to have the same kind of thing ---

MR. RENGERT: Philadelphia as well would --- and Atlanta. Yes, no, certainly, that would emerge.

Part of the lens I use for figuring out which variables to use and which MSAs to use was I wanted to highlight how different subpopulations emerge differently in different areas.

So I chose two variables that showed that variation. They're somewhere. It's going to be, you know --- that would have emerged as well.

MR. ERNST: And to be clear, our interest would be, if we were to go forward and develop a web-based application, to make all the variables available to all users so people could go in and generate maps across every variable that we had available there.

MR. RENGERT: And to be clear, this was also just a set of variables that we used drawing from the household survey. There are thousands of variables out there that can be mapped as census tracts.

And, you know, we're not going to bring them all into an application. But somebody else could. I mean, that's pretty easy to do.

If you put out the information on access levels for tracts, anybody with access to census data or other data that's also rolled up at a tract level could then create whatever overlays they wanted to do even if that wasn't something that we made easily available to --

MEMBER EAKES: It's interesting with Atlanta and L.A., which in some ways are poster child cities for sprawl, that you had a much higher percentage that were distant from the LDT.

MR. RENGERT: Right, yes.

MEMBER EAKES: It seemed like there

were multiple higher -- I don't know what that says exactly.

MR. ERNST: Right, right. I also think you should keep in mind that sometimes you look at the geographic shading and you see more shading. But some of those tracts are bigger and much less dense. And so you may have a small number of tracts that are shaded darkly in New York City that have a lot more people, for instance. Yes, that happens, I imagine.

Other comments from the members? Well, thank you. Thank you for the chance to present this information and for your feedback.

(Applause.)

CHAIRMAN GRUENBERG: Thank you, Keith. Thank you, Kris. I think that concludes our program for today.

Let me conclude, if I may, by not only thanking you for being here today, but thanking you for your service on this committee. The contribution you've made to the FDIC and to our work in this area I really do believe has been invaluable. So we're very grateful.

It's my hope, and this probably is my last meeting as chairman, it's my hope that the next chairman will continue this committee. It's my hope that all of you will be open to continuing to serve. As soon as the new chairman is announced, it will certainly be among the first issues I, first matters I discuss with that person.

So thank you all. It's really been terrific.

(Applause.)

(Whereupon, the above-entitled matter went off the record at 3:19 p.m.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Meeting of the Advisory Committee on Economic Inclusion

Before: FDIC

Date: 10-18-17

Place: Washington, DC

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

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Court Reporter